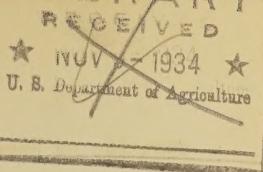


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CODE OF FAIR COMPETITION



FOR THE Raw Cotton Trade

Raw Cotton Trade

Revision of October 6, 1934

ARTICLE I--PURPOSES

To effect the policies of Title I of the National Industrial Recovery Act, this Code is submitted as a Code of Fair Competition for the Raw Cotton Trade, and upon approval its provisions shall be the standards of fair competition for such Trade, and shall be binding upon every member thereof.

ARTICLE II--DEFINITIONS

As used in this Code, the term:

Section 1. "Raw Cotton Trade" or "Trade" means the business of buying and/or selling and/or trading in and/or marketing of raw cotton and includes the department or unit of cotton textile mills concerned with the purchase of raw cotton.

Section 2. "Member of the trade" or "Member" means any individual person, partnership, association, corporation or other form of enterprise, and the subsidiaries and/or affiliates thereof insofar as they are engaged as principal or agent in the Raw Cotton Trade as defined in section 1 above, either as an employer or on his or its own behalf and without excluding others, includes the following:

1. "First buyer" means any person who buys cotton directly from producers, and includes local buyers and/or f.o.b. buyers operating for their own accounts; representatives of shippers and/or manufacturers, whether salaried or commissioned or both; farmers' cooperative associations; ginners, supply merchants, bankers, and warehousemen in their

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capacity as buyers of or dealers in raw cotton.

2. "Shipper" means any person who for his own account buys cotton for resale and shipment to merchants or manufacturers, or who, having made such a sale, buys the cotton for its fulfillment.

3. "Merchant" means any person who for his own account accumulates and carries stocks of cotton from which he sells and/or ships in lots to shippers, other merchants, or to manufacturers, whether in the United States or in other countries.

4. "Factor" means any person who receives cotton on consignment from its owner, to whom he may or may not make advances of funds, and who holds, stores and/or sells the cotton according to instructions from the owner, accounting to the owner for all proceeds of sale and expenses incurred and deriving his compensation from a commission paid by the owner for his services.

5. "Spot broker" means any person who as an agent sells cotton to or buys cotton for a merchant or shipper, but without receiving the cotton on consignment prior to sale, and who derives his compensation wholly from a commission agreed to and paid by the principal for whom he acts.

6. "Mill broker" means any person who as an agent sells cotton to a mill for the account of any other person, or buys cotton as an agent for a mill, deriving his compensation from a commission agreed to and paid by his principal.

7. "Mill buyer" means any person who as an employee buys raw cotton for or on behalf of a cotton manufacturer.

Sec. 3. "Person" means individual, partnership, corporation, association, and any other business unit.

Sec. 4. "Subsidiary" means any person of, or over whom a member of the Trade or an affiliate of such member has, either directly or indirectly, actual or legal control, whether by stock ownership or in any other manner.

Sec. 5. "Affiliate" means any person, and/or any subsidiary thereof who has, either directly or indirectly, actual or legal control of or over a member of the Trade.

Sec. 6. "President", "Act", "Secretary", "Board", and "Department" means respectively the President of the United States, Title I of the National Industrial Recovery Act, the Secretary of Agriculture, the National Industrial Recovery Board, and the United States Department of Agriculture.

Sec. 7. "Director of Extension" or "Director" means the State Director of Extension, attached to the College of Agriculture of a State and operating under the Smith-Lever Act of May 8, 1914 creating the Agricultural Extension System.

Sec. 8. "Cotton Standards Act" means the United States Cotton Standards Act passed March 4, 1923, as amended.

Sec. 9. "Cotton Futures Act" means the United States Cotton Futures Act passed August 11, 1916, as amended.

Sec. 10. "Warehouse Act" means the United States Warehouse Act passed August 11, 1916, as amended.

Sec. 11. "Employee" includes any and all persons engaged in

the Trade, however compensated, except a member of the Trade.

Sec. 12. "Employer" includes anyone by whom such employee is compensated or employed.

Sec. 13. "Labor provisions" means all those matters relating to the determination and administration of hours of labor, rates of pay, and other conditions of employment within the Raw Cotton Trade, under the jurisdiction of the National Recovery Administration.

Sec. 14. "Books, records and reports" means any books, records, accounts, contracts, documents, memoranda, papers, correspondence, or other written data pertaining to the business of the person in question.

Sec. 15. "Executive Committee" means the executive committee of the Code Authority, authorized under subsection 2 (a), section 1 of article VI of this Code.

Sec. 16. "Regional" and "Local Councils" means the councils authorized under subsection 2 (b), section 1 of article VI of this Code.

Sec. 17. "State" includes Territory and the District of Columbia.

Sec. 18. "Population" for the purposes of this Code shall be determined by reference to the latest Federal Census.

Sec. 19. "Trading Rules" means the rules governing the Raw Cotton Trade as referred to in section 1, article VII.

Sec. 20. "New England Arbitration Board" means the established board of arbitration for quality of cotton recognized by the Trade and maintained jointly by the American Cotton Shippers' Association, the

National Association of Cotton Manufacturers and the New England Cotton Buyers Association for the purpose of arbitrating all disputes as to quality of cotton delivered.

Sec. 21. "New England Board of Appeals" means the established board recognized by the Trade, and maintained by the New England Cotton Buyers, for the purpose of arbitrating all disputes with regard to terms of contracts, subject to the Consolidated Trading Rules appended to this Code.

Sec. 22. "Cotton States Arbitration Board" means the established board recognized by the Trade, and maintained by the American Cotton Shippers' Association and the American Cotton Manufacturers Association for the purpose of arbitrating all disputes with regard to quality of cotton delivered, subject to the consolidated Trading Rules appended to this Code.

Sec. 23. "Southeastern Appeal Board" means the board recognized by the Trade, and maintained by the American Cotton Shippers Association and the American Cotton Manufacturers Association for the purpose of settling all disputes with regard to terms of contract, subject to the Consolidated Trading Rules appended to this Code.

#### ARTICLE III--HOURS

Section 1. Maximum Hours.--1. No employee shall be permitted to work in excess of forty (40) hours in any one (1) week or eight (8) hours in any twenty-four (24) hour period, except as herein otherwise provided. A normal work day shall not exceed eight (8) hours. There shall be the following exceptions:

(a) In not to exceed sixteen (16) weeks of any calendar year, employees retained under written contract throughout the year on the basis of an annual salary paid in equal installments, monthly, semi-monthly, or weekly may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks, or

(b) In not to exceed sixteen (16) weeks of any calendar year, employees may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks: Provided, however, That all such time worked in excess of forty (40) hours in any week or eight (8) hours in any day shall be compensated at not less than one (1) and one-third (1/3) times the normal hourly rate.

Sec. 2. Hours for Clerical and Office Employees.--1. No person employed in clerical or office work shall be permitted to work in excess of forty (40) hours in any one (1) week or eight (8) hours in any twenty-four (24) hour period. A normal work day shall not exceed eight (8) hours. There shall be the following exceptions:

(a) In not to exceed sixteen (16) weeks of any calendar

year, employees retained under written contract throughout the year on the basis of an annual salary paid in equal installments monthly, semi-monthly, or weekly may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks, or

(b) In not to exceed sixteen (16) weeks of any calendar year, employees may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks: Provided, however, That all such time worked in excess of forty (40) hours in any week or eight (8) hours in any day shall be compensated at not less than one (1) and one-third (1/3) times the normal hourly rate.

Sec. 3. Exceptions as to Hours.--1. The provisions of this article shall not apply to:

- (a) Employees engaged in a managerial or an executive capacity who earn regularly thirty-five (35) dollars or more per week;
- (b) Employees engaged in occupations requiring technical or expert knowledge in the merchandising of cotton who (1) earn regularly thirty-five (35) dollars or more per week, or (2)

are retained under written contract throughout the year on the basis of an annual salary of not less than twelve hundred (1200) dollars paid in equal installments monthly, semi-monthly, or weekly;

(c) Outside buyers and outside salesmen.

Sec. 4. Standard Week.--No employee shall be permitted to work more than six (6) days in any seven (7) day period except during a sixteen (16) weeks of any calendar year.

Sec. 5. Employment by Several Employers.--No employer shall knowingly permit any employee to work for any time which, when added to the time spent at work for another employer or other employers in this Trade, exceeds the maximum permitted herein.

#### ARTICLE IV--WAGES

Section 1. Minimum Wages.--No employee shall be paid in any pay period less than at the rate of twenty-two (22) and one-half (1/2) cents per hour, except as herein otherwise provided.

Sec. 2. Office and Clerical Employees.--No clerical or office employee shall be paid in any pay period less than at the rate of the following schedule of wages:

(a) Sixteen (16) dollars per week in cities of over 1,000,000 population, or in the immediate trade area thereof.

(b) Fifteen (15) dollars per week in cities of 500,000 to 1,000,000 population, or in the immediate trade area thereof.

(c) Fourteen (14) dollars and fifty (50) cents per week in cities of 250,000 to 500,000 population, or in the immediate

trade area thereof.

(d) Fourteen (14) dollars per week in cities of 2,500 to 250,000 population, or in the immediate trade area thereof.

(e) Twelve (12) dollars per week in all other places.

(f) Learners shall be paid not less than eighty (80) percent of the applicable minimum rate but in no event less than ten (10) dollars per week: Provided, however, That the total number of such learners shall not exceed five (5) percent of the total number of employees, except where one (1) such employee is more than five (5) percent.

Sec. 3. Piecework Compensation - Minimum Wages.--This article establishes minimum rates of pay which shall apply, irrespective of whether an employee is actually compensated on a time rate, piece-work, or other basis.

Sec. 4. Wages above Minimum.--Whenever the adoption of the minimum rates of this Code results in lessening the differential between unskilled labor and skilled occupations, wages above the minimum shall be increased so as to maintain the differentials existing on July 15, 1933. In no case shall full time weekly wages be reduced as a result of the adoption of this Code.

Sec. 5. Female Employees.--Female employees performing substantially the same work as male employees shall receive the same rate of pay as male employees.

Sec. 6. Handicapped Persons.--A person whose earning capacity is limited because of age or physical or mental handicap or other infirmity may be employed on light work at a wage below the minimum es-

tablished by this Code if the employer obtains from the State authority designated by the United States Department of Labor a certificate authorizing his employment at such wages and for such hours as shall be stated in the certificate. Each employer shall file monthly with the Code Authority a list of all such persons employed by him, showing the wages paid to, and the maximum hours of work for such employee.

#### ARTICLE V--GENERAL LABOR AND OTHER PROVISIONS

Section 1. Child Labor.--No person under sixteen (16) years of age shall be employed in the Trade in any capacity. No person under eighteen (18) years of age shall be employed at operations or occupations which are hazardous in nature or detrimental to health. The Code Authority shall submit to the Board within sixty (60) days of the effective date of this Code a list of such operations and occupations. In any State any employer shall be deemed to have complied with this provision as to age if he shall have on file a certificate or permit, duly signed by the authority in such State empowered to issue employment or age certificates or permits showing that the employee is of the required age.

Sec. 2. Provisions from the Act.--1. Employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection.

2. No employee and no one seeking employment shall be required to abandon his/her religious beliefs.

as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing, and

3. Employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment approved or prescribed by the President.

Sec. 3. Evasion through Subterfuge.--No employer shall re-classify employees or duties of occupation performed or engage in any other subterfuge so as to defeat the purposes or provisions of the Act or of this Code.

Sec. 4. Standards for Safety and Health.-- Every employer shall provide for the safety and health of employees during the hours and at the places of their employment. Standards for safety and health shall be submitted by the Code Authority to the Board within six (6) months after the effective date of the Code.

Sec. 5. State Laws.--No provision in this Code shall supersede any State or Federal law which imposes on employers more stringent requirements as to age of employees, wages, hours of work, or as to safety, health, sanitary or general working conditions, or insurance, or fire protection, than are imposed by this Code.

Sec. 6. Posting.--All employers shall post and keep posted copies of this Code in conspicuous places accessible to all employees. Every member of the Trade shall comply with all rules and regulations relative to the posting of provisions of Codes of Fair Competition

which may from time to time be prescribed by the Board.

Sec. 7. Fines and Deductions.--Wages shall be exempt from fines, charges, and/or deductions except with the written consent of the employee or when required by law.

Sec. 8. Payment of Wages.--Employers shall make payment of all wages in lawful currency or by negotiable checks, payable on demand. All contracts of employment shall prescribe payment of wages at least semi-monthly.

#### ARTICLE VI--ORGANIZATION, POWERS AND DUTIES OF THE CODE AUTHORITY

Section 1. Code Authority.--1. A Code Authority of the Trade shall be established for the purpose of assisting in the administration, supervision, and promotion of the performance of the provisions of this Code. Except as the jurisdiction of the Secretary and the Board may hereafter be changed pursuant to order of the President, the Code Authority shall assist the Board in all matters relating to the administration of provisions in this Code relating to hours of labor, rates of pay, and other conditions of employment and shall assist the Secretary in all matters relating to the administration of all the other provisions of this Code.

2. The Code Authority shall consist of not less than twenty-six (26) nor more than thirty (30) members, and shall be constituted, forthwith upon the approval of this Code, of representatives of members of the Trade selected by the following organizations and agencies:

- (1) The President and the Secretary of the American Cotton Shippers Association.

One (1) representative each from the:

- (2) California-Arizona Cotton Association.
- (3) Oklahoma State Cotton Exchange.
- (4) Arkansas Cotton Trade Association.
- (5) Southern Cotton Shippers Association.
- (6) Atlantic Cotton Association.
- (7) Carolina Spot Brokers Association.
- (8) Staple Cotton Cooperative Association.
- (9) New England Cotton Buyers Association.
- (10) American Association of Cotton Manufacturers.
- (11) North Carolina Cotton Manufacturers Association.
- (12) South Carolina Cotton Manufacturers Association.
- (13) Cotton Manufacturers Association of Georgia.
- (14) Mills not members of any of the mill associations named in (10), (11), (12), (13), and (15) of this list, to be elected under the supervision of the Secretary and the Board.

Two (2) representatives each from the:

- (15) National Association of Cotton Manufacturers.
- (16) Texas Cotton Association.
- (17) Five (5) representatives from the American Cotton Cooperative Association and associated cooperative associations.

(18) Three (3) representatives of spot cotton markets, recognized under the Cotton Futures Act, one (1) to be elected by the members in each of the following groups of States:

Group 1: Virginia, North Carolina, South Carolina, Georgia, Florida.

Group 2: Alabama, Mississippi, Louisiana, Tennessee,  
Arkansas, Missouri.

Group 3: Texas, Oklahoma, Arizona, New Mexico, and  
California.

(19) Three (3) representatives of unorganized country traders in rural sections who are not members of any of the above named groups, one (1) to be elected by such traders from each of the three(3) groups of States outlined in (18) above, under the following supervision: The Secretary shall invite the director of extension in each of the States named to call a conference of unorganized traders in his State to elect a delegate or delegates to a conference of the delegates of each group of States under regulations prescribed by him. The location of such regional conference of delegates shall be arranged by the Directors of Extension under the leadership of a director whom the Secretary may designate for that purpose. The regional representatives so chosen shall be accepted by the Code Authority as the representatives of unorganized traders subject to the disapproval of the Secretary and/or the Board.

No member of the Trade shall be represented on the Code Authority by more than one (1) member of that body, except the American Cotton Cooperative Association.

Members of the Code Authority shall be selected, insofar as possible, within fifteen (15) days after the effective date of this Code, to serve until May 1, 1935, and thereafter for terms of one (1) year

during the life of this Code, except as to the representatives of the American Cotton Shippers Association, whose services shall be governed by their tenure of office in that Association.

Alternates for each member of the Code Authority may be selected in the same manner as active members of the Code Authority are selected. Alternates may at all times sit in meetings of the Code Authority without vote,. In case of a vacancy on the Code Authority, the alternate shall fill out the remainder of the term.

If a member (or alternate) of the Code Authority shall in any case be a party charged with violation of this Code (or the representative of such a party), he shall, for the purpose of the investigation of said allegation and determination of the issue, be deprived of all his rights, duties, and privileges as a member (or alternate) of the Code Authority.

In all matters before the Code Authority involving those parts of the Consolidated Trading Rules which relate to cotton mills, the combined representatives of the mills shall have an equal voice with the combined representatives of all other groups.

(a) Executive Committee.-- The Code Authority shall select from its number an executive committee of seven (7) members of whom (1) shall be the representative of a cooperative association, two (2) from the mill group, one (1) for the spot cotton markets, and, if on May 1 of any year there is on the Code Authority a representative of unorganized traders, one (1) member of the executive committee shall be selected from this group.

(1) The Code Authority may delegate to such executive

committee such of its authority and duties as it may choose.

Alternates to the members of the executive committee shall be selected by the Code Authority in the same manner as active members are chosen.

(b) Regional and Local Councils.--The Code Authority may, upon its own motion or upon application by members of the Trade in any region or locality, authorize and establish regional or local councils to aid in the administration of this Code. Existing trade organizations may be utilized or designated as such instrumentality of the Code Authority wherever such organizations are active and functioning as authorized in subsection 1 (a) of section 2 of article VI:  
Provided, They comply with subsections 3 and 4 of section 1 of article VI, and: Provided further, That provisions shall be made for participation by representatives not members of such existing organizations, in any action, investigation, or deliberation involving any non-member.

(1) In localities where there are no such recognized trade organizations and where a local council is needed for the purposes of the Code, members of the council shall be elected by members of the Trade in such locality, who comply with subsection 5 of this section, under rules and regulations prescribed by the Code Authority, and designed to secure fair representation of the interests of all such members in the administration of the Code. The territorial limits of any regional or local council and

the powers and duties delegated to it shall be fixed by resolution of the Code Authority authorizing the creation of such council.

(c) Representatives of the Secretary and the Board.--In addition to membership as above provided, the Secretary and the Board may each appoint not more than three (3) members or representatives to serve for such terms as they may specify, with the right to sit without vote, in all meetings of the Code Authority and its Executive Committee, and the regional and local councils, for which purpose they shall receive due notice in time reasonably to permit their attendance at all such meetings and, if requested by any one or more of them, of any local council. The Secretary and/or the Board may also designate other representatives to sit without vote in any local council, under instructions that he or it may issue for that purpose. Each representative shall receive a copy of all minutes and reports of any of these bodies and shall have access to all books, records, and data open to his principal --the Board's representatives as to all matters concerning labor provisions, and the Secretary's representatives as to all other matters.

3. Restriction by Associations.-- Each trade or industrial association directly or indirectly participating in the selection or activities of the Code Authority shall (1) impose no inequitable restriction on membership, and (2) submit to the Secretary and the Board true copies of its articles of association, bylaws, regulations,

and any amendments when made thereto, together with such other information as to membership, organization, and activities as the Secretary or the Board may deem necessary to effectuate the purposes of the Act.

4. Right to Modify Code Authority-- In order that the Code Authority shall at all times be truly representative of the Trade and in other respects comply with the provisions of the Act, the Secretary or the Board may prescribe such hearings as he or it may deem proper; and thereafter if he or it shall find that the Code Authority is not truly representative or does not in other respects comply with the provisions of the Act, may require an appropriate modification in the method of selection of the Code Authority, or take such other action as the evidence adduced at the hearing may warrant.

5. Officers and Finances.

(a) The Code Authority shall have the right to employ such salaried officers and employees as may be required for the purposes of this Code, subject to the approval by the Secretary and the Board of a budget and plans for raising funds as hereafter provided in this subsection.

(b) It being found necessary, in order to support the administration and to maintain the standards of fair competition established hereunder and to effectuate the policy of this Act, the Code Authority is authorized:

(1) To incur such reasonable obligations as are necessary and proper for the foregoing purposes, and to meet such obligations out of funds which may be raised as hereinafter provided and which shall be held in trust for

the purposes of this Code:

(2) To submit to the Secretary and/or the Board for his and/or its approval, subject to such notice and opportunity to be heard as he or it may deem necessary, (1) an itemized budget of its estimated expenses for the foregoing purposes; and (2) an equitable per bale basis of bales handled upon which funds necessary to support such budget shall be contributed by members of the Trade: Provided, however, That cotton mills shall be required to contribute at only one half the per bale rate contributed by other members of the Trade.

(3) After such budget and per bale basis of contribution have been approved by the Secretary and/or the Board to determine and obtain equitable contributions as above set forth by all members of the Trade, and to that end, if necessary to institute legal proceedings therefor in its own name.

(c) Each member of the Trade shall pay his or its equitable contribution to the expenses of the maintenance of the Code Authority determined as hereinabove provided, and subject to rules and regulations pertaining thereto issued by the Secretary and the Board. Only members of the Trade complying with the Code and contributing to the expenses of its administration as hereinabove provided, unless duly exempted from making such contribution, shall be entitled to participate in the selection of members of the Code Authority or to receive the benefits of any of its voluntary activities or to make any use of any emblem

or insignia of the National Recovery Administration.

(d) The Code Authority shall neither incur nor pay any obligations substantially in excess of the amount thereof as estimated in its approved budget; and shall in no event exceed the total amount contained in the approved budget, except upon approval of the Secretary and/or the Board; and no subsequent budget shall contain any deficiency item for expenditures in excess of prior budget estimates, except those which the Secretary and/or the Board shall have so approved.

6. Responsibility of members of the Code Authority.— Nothing contained in this Code shall constitute the members of the Code Authority partners for any purpose. Nor shall any member of the Code Authority be liable in any manner to any one for any act of any other member, officer, agent, or employee of the Code Authority. Nor shall any member of the Code Authority, exercising reasonable diligence in the conduct of his duties hereunder, be liable to any one for any action or omission to act under this Code, except for his own willful malfeasance or nonfeasance.

7. Suspension of action of the Code Authority.—If the Secretary or the Board shall determine as to matters subject to their respective jurisdiction that any action of the Code Authority or any agency thereof may be unfair or unjust or contrary to the public interest, the Secretary or the Board, as the case may be, may require that such action be suspended to afford an opportunity for investigation of the merits of such action and further consideration by such Code Authority or agency pending final action, which shall not be effective

unless the Secretary or the Board approves, or unless he or it shall fail to disapprove after thirty (30) days' notice to him or it of intention to proceed with such action in its original or modified form.

Sec. 2. Powers and Duties of the Code Authority.--1. In all matters relating to the administration of the provisions of this Code (except as the jurisdiction of the Secretary and the Board may hereafter be changed, pursuant to the order of the President), the Code Authority, subject to such rules and regulations as may be issued by the Secretary and the Board, shall have the following further powers and duties, the exercise of which relating to hours of labor, rates of pay, and other conditions of employment shall be reported to the Board, and as to all other provisions, unless otherwise specified, shall be reported to the Secretary:

(a) To appoint, at its discretion, such regional councils and committees as outlined in subsection 2 (b), section 1 of article VI, as it may deem necessary to assist in the administration of the provisions of this Code;

(b) To insure the execution of the provisions of this Code and provide for the compliance of the members of the Trade with the provisions of the Act;

(c) To adopt bylaws and rules and regulations for its procedure;

(d) To obtain from members of the Trade such information and reports as may be required for the administration of this Code and to provide for submission by members of such informa-

tion and reports as the Secretary and/or the Board may deem necessary for the purposes recited in section 3 (a) of the Act;

(e) To use such trade associations and other agencies as it deems proper for the carrying out of any of its activities provided for herein: Provided, however, That nothing herein shall relieve the Code Authority of its duties or responsibilities under this Code and that such trade associations and agencies shall at all times be subject to and comply with provisions hereof;

(f) To provide facilities for the arbitration of disputes concerning the quality of cotton delivered and/or appeals concerning the terms of contracts, using for these purposes the facilities of any of the cotton associations or exchanges, the New England Arbitration Board, the New England Board of Appeals, the Cotton States Arbitration Board or the Southeastern Appeal Board, and, as to quality, the United States Department of Agriculture, insofar as practicable, under the provisions of the Consolidated Trading Rules appended to this Code. Where these arrangements may not be available or are inadequate, the Code Authority shall set up such other facilities as may be necessary for these purposes, under rules and regulations that it may promulgate subject to the disapproval of the Secretary;

The Code Authority may authorize, assume and/or pay expenses incurred by any regional or local council or recognized arbitration or appeal board in the performance of the duties delegated

to such body under the terms and provisions of this Code:

Provided, however, That no part of the expenses of any arbitration or appeal body charging a fee for its services shall be assumed, unless fees to non-members are substantially the same as to members of any trade association or organization with which the arbitration or appeal body is affiliated and unless all fees collected are credited to the expenses of maintaining such body.

(g) To make recommendation to the Secretary and/or the Board for the coordination of the administration of this Code and such other codes, if any, as may be related to or affect the members of this Trade;

(h) To recommend to the Secretary and/or the Board any action or measures deemed advisable, including further fair trade practice provisions to govern members of the Trade in their relations with each other or with other trades, and measures for industrial planning and stabilization of employment;

(i) To appoint a trade practice committee which shall meet with the trade practice committees appointed under such other codes as may be related to the Trade, for the purpose of formulating fair trade practices to govern the relationships between employers under this Code and under such other codes to the end that such fair trade practices may be proposed to the Secretary and/or the Board as amendments to this Code and such other codes;

(j) To investigate and prepare reports upon complaints of alleged violations of this Code, issue warnings to violators, and, in case of flagrant violations or when requested, submit reports and recommendations thereon to the Secretary: Provided, however, That if a member or alternate of the Code Authority or any of its subsidiary agencies under this Code shall in any case be a party charged with violation of this Code (or the representative of such party), he shall for the purposes of the investigation of said allegation and determination of the issue be deprived of all his rights, duties and privileges as a member or alternate of the Code Authority.

2. Duties of Regional and Local Councils.--The regional and local councils shall constitute local or regional organizations of cotton traders as authorized in subsection 2 (b), section 1 of article VI, and subsection 1(a), section 2 of article VI, to function, each within its territory, as the representative of the Code Authority, and in addition to taking the initiative in promoting the objectives of the Code in its territory, they may make recommendations to the Code Authority touching any aspect of the purposes and administration of this Code.

All action by regional and local councils shall be subject to the supervision and disapproval of the Code Authority.

3. Records.--The Code Authority, the Executive Committee, and the regional or local councils shall keep minutes of all meetings; and copies of the minutes and of all reports shall be sent promptly to the Code Authority and to the representatives of the Secretary and of the Board under this Code.

## ARTICLE VII--UNFAIR METHODS OF COMPETITION

The following practices constitute unfair methods of competition and are prohibited:

Section 1. Trading Rules.--To trade in raw cotton without observing the applicable or specified rules for buying and selling cotton appended to this Code and made a part hereof as Exhibit "A", known as Consolidated Trading Rules or American Cotton Rules, or as they hereafter may be amended with the approval of the Secretary. Amendments to the Consolidated Trading Rules may be proposed by any association, exchange, or group recognized under this Code, and shall become effective upon the approval of the Code Authority subject to disapproval by the Secretary: Provided, however, That associations and exchanges may prescribe other rules not in conflict with the trading rules under this Code, to govern transactions of its members, but such rules shall be submitted promptly to the Code Authority and the Secretary, and if found by either agency to be in conflict with rules under the Code, shall be modified or suspended forthwith.

Sec. 2. Private Types.--To use or refer, in the description of any cotton, to any private type, unless such type samples have been duly registered with the Department and are used in accordance with its regulations under the Cotton Standards Act: Provided, however, That this section shall not be construed to require the registration of any actual sample or type sample.

Sec. 3. Quality, Location and Price.--To purchase, trade in or make final settlement for cotton secured directly from a producer,

at a price widely out of line with its current market price, according to quality, quantity, and geographical situation at the time the transaction is consummated, or at a price that is clearly discriminatory between producers or producing areas. The classification of a lot of cotton by a classer employed or licensed by the United States Department of Agriculture shall be accepted as *prima facie* evidence of its quality as a basis for determining price. Exacting an excessive or abnormal charge for supplies exchanged for cotton or for storage or other services or for interest on open accounts or for fees or commissions or loans in connection with a cotton trade, shall be regarded as a violation of this section.

Sec. 4. Over and Undergrading.--To over or underclass or weigh any lot of cotton beyond a reasonable tolerance, for or on behalf of any party to any transaction in which such cotton is involved.

Sec. 5. Arbitration.--To refuse to arbitrate any dispute over a trade or contract involving either the quality of cotton delivered or the terms of the contract, in accordance with the applicable or specified trading rules, or to fail or refuse to abide by the decision of such arbitration or the appeal therefrom.

Sec. 6. Excess Sampling.--To take or permit to be taken any pickings or unwarranted sample, or any sample in excess of sixteen (16) ounces, made up of eight (8) ounces from each side, from any bale in the custody of a member, unless a larger sample has been authorized in writing by the owner.

Sec. 7. Posting Terms for Special Services.--To exact a storage or other charge not included in the specified terms of the contract, for handling cotton involved in a trade, without, at the time of the transaction, having posted prominently in the place where the supplementary service is claimed to be rendered, the rates of charge for such service.

Sec. 8. Gifts and Gratuities.--To give, pay, promise to give or pay, either directly or indirectly, to any patron or the employee of any patron, either buyer or seller, or of an associated agency of either, any rebate, free drayage or storage, gratuity, gift, bribe or other payment, premium or other special reward whatsoever beyond the regular and legitimate price paid for the cotton.

(a) Nothing in this section shall be construed to interfere with or prevent the distribution to members and patrons of cooperative associations, of dividends or reserve from properly earned income.

(b) Nothing in this section shall be construed to prohibit, for the present, a cotton trader from selling cotton on consignment and accepting storage without charge in a mill warehouse, against the time when the cotton is purchased by the mill. In the event that this Code is extended beyond June 15, 1935, then such practice shall be prohibited after July 1, 1936, unless the Code Authority shall find for a particular mill that a further extension of this privilege is warranted.

ARTICLE VIII--GENERAL

Section 1. Modification by the President.--This Code and all the provisions thereof are expressly made subject to the right of the President of the United States in accordance with the provisions of subsection (b) of section 10 of the Act, from time to time, to cancel or modify any order, approval, license, rule or regulation issued under said Act.

Sec. 2. Reports.--1. The members of the Trade shall severally, from time to time, upon the request of the Secretary (or the Board in the case of information relating to hours of labor, rates of pay and other conditions of employment), furnish such information to such Federal and State agencies on and in accordance with forms of reports supplied to them (which reports shall be verified under oath) as the Secretary or the Board may designate and require (1) for the protection of consumers, competitors, employees and others, and in furtherance of the public interest, and (2) for the determination by the Secretary or the Board of the extent to which the declared policy of the Act is being effectuated by this Code.

2. Nothing in this Code shall relieve any person of existing obligations to furnish reports to Government agencies.

3. No individual reports shall be disclosed to any other member of the Trade or any other party except as may be directed by the Secretary or the Board.

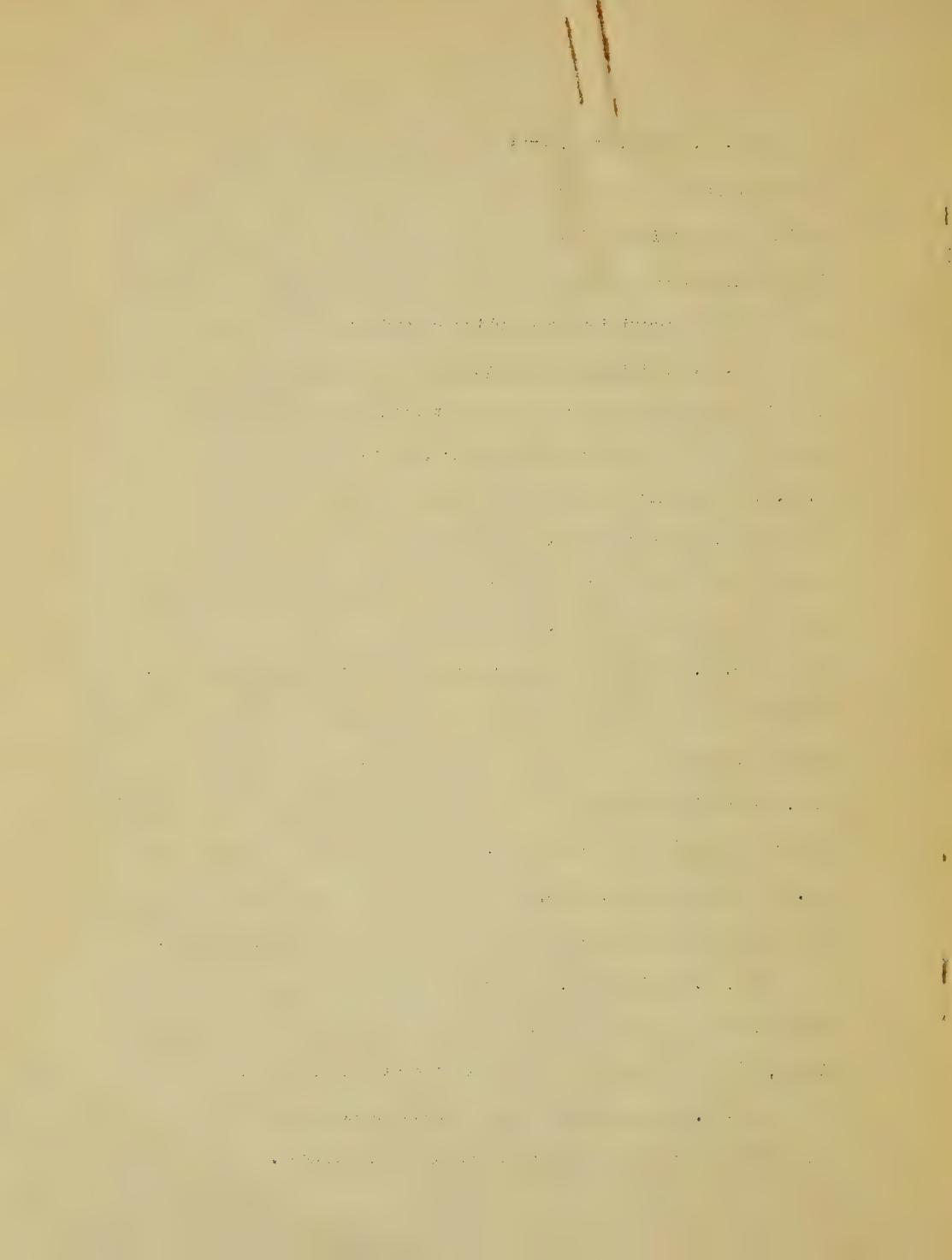
Sec. 3. Amendments.--This Code may be amended at any time for the better effectuation of the purposes and policies of Title I of the National Industrial Recovery Act upon the recommendation of the Code Authority and the approval of the Secretary and/or the Board, each as to the provisions over which he and/or it has jurisdiction.

Sec. 4. Relation to Existing Laws and Regulations.--Nothing in this Code shall in any way conflict with or be construed as conflicting with the Cotton Standards Act, Cotton Futures Act, or the U. S. Warehouse Act or rules and regulations thereunder relating to raw cotton, insofar as applicable to this Trade, and any provisions of this Code shall be construed as in addition to requirements under those acts and regulations.

Sec. 5. Relation to Future Marketing Agreement and License.--If any license is hereafter issued or any marketing agreement hereafter executed, pursuant to the provisions of the Agricultural Adjustment Act, containing provisions covering the subject matter referred to in sub-clauses (1) to (7) inclusive, of Section 1 of the Executive Order No. 6551 of January 8, 1934, then to that extent such license or marketing agreement shall supersede such provisions of this Code.

Sec. 6. Monopolies.--No provision of this Code shall be so applied as to permit monopolies or monopolistic practices or to eliminate, oppress or discriminate against small enterprises.

Sec. 7. Effective Date.--This Code shall become effective on the second Monday after its approval by the President.



## UNITED STATES DEPARTMENT OF AGRICULTURE

## AGRICULTURAL ADJUSTMENT ADMINISTRATION

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PROPOSED

CODE OF FAIR COMPETITION

FOR THE

RAW COTTON TRADE

(Revision of October 6, 1934)

WITH

EXHIBIT A OF THE PROPOSED  
CODE OF FAIR COMPETITION  
FOR THE RAW COTTON TRADE

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This Proposed Code of Fair Competition in its present form is proposed as the basis of a public hearing for the above-mentioned industry, and none of the provisions contained herein are to be regarded as having received the approval of the Agricultural Adjustment Administration or the National Industrial Recovery Board as applying to this industry.

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I hereby certify that this is a true and correct copy of the Proposed Code of Fair Competition for the Raw Cotton Trade, on file in the Office of the Chief Hearing Clerk, United States Department of Agriculture, Agricultural Adjustment Administration.

(Signed) James K. Knudson  
Chief Hearing Clerk.  
4725 South Building  
U.S. Dept. of Agriculture  
Washington, D. C.

Dated: January 5, 1935.

Washington, D. C.



CODE OF FAIR COMPETITION  
FOR THE  
RAW COTTON TRADE

Revision of October 6, 1934

ARTICLE I--PURPOSES

To effect the policies of Title I of the National Industrial Recovery Act, this Code is submitted as a Code of Fair Competition for the Raw Cotton Trade, and upon approval its provisions shall be the standards of fair competition for such Trade, and shall be binding upon every member thereof.

ARTICLE II--DEFINITIONS

As used in this Code, the term:

Section 1. "Raw Cotton Trade" or "Trade" means the business of buying and/or selling and/or trading in and/or marketing of raw cotton and includes the department or unit of cotton textile mills concerned with the purchase of raw cotton.

Section 2. "Member of the trade" or "Member" means any individual person, partnership, association, corporation or other form of enterprise, and the subsidiaries and/or affiliates thereof insofar as they are engaged as principal or agent in the Raw Cotton Trade as defined in section 1 above, either as an employer or on his or its own behalf and without excluding others, includes the following:

1. "First buyer" means any person who buys cotton directly from producers, and includes local buyers and/or f.o.b. buyers operating for their own accounts; representatives of shippers and/or manufacturers, whether salaried or commissioned or both; farmers' cooperative associations; ginners, supply merchants, bankers, and warehousemen in their

capacity as buyers of or dealers in raw cotton.

2. "Shipper" means any person who for his own account buys cotton for resale and shipment to merchants or manufacturers, or who, having made such a sale, buys the cotton for its fulfillment.

3. "Merchant" means any person who for his own account accumulates and carries stocks of cotton from which he sells and/or ships in lots to shippers, other merchants, or to manufacturers, whether in the United States or in other countries.

4. "Factor" means any person who receives cotton on consignment from its owner, to whom he may or may not make advances of funds, and who holds, stores and/or sells the cotton according to instructions from the owner, accounting to the owner for all proceeds of sale and expenses incurred and deriving his compensation from a commission paid by the owner for his services.

5. "Spot broker" means any person who as an agent sells cotton to or buys cotton for a merchant or shipper, but without receiving the cotton on consignment prior to sale, and who derives his compensation wholly from a commission agreed to and paid by the principal for whom he acts.

6. "Mill broker" means any person who as an agent sells cotton to a mill for the account of any other person, or buys cotton as an agent for a mill, deriving his compensation from a commission agreed to and paid by his principal.

7. "Mill buyer" means any person who as an employee buys raw cotton for or on behalf of a cotton manufacturer.

Sec. 3. "Person" means individual, partnership, corporation, association, and any other business unit.

Sec. 4. "Subsidiary" means any person of, or over whom a member of the Trade or an affiliate of such member has, either directly or indirectly, actual or legal control, whether by stock ownership or in any other manner.

Sec. 5. "Affiliate" means any person, and/or any subsidiary thereof who has, either directly or indirectly, actual or legal control of or over a member of the Trade.

Sec. 6. "President", "Act", "Secretary", "Board", and "Department" means respectively the President of the United States, Title I of the National Industrial Recovery Act, the Secretary of Agriculture, the National Industrial Recovery Board, and the United States Department of Agriculture.

Sec. 7. "Director of Extension" or "Director" means the State Director of Extension, attached to the College of Agriculture of a State and operating under the Smith-Lever Act of May 8, 1914 creating the Agricultural Extension System.

Sec. 8. "Cotton Standards Act" means the United States Cotton Standards Act passed March 4, 1923, as amended.

Sec. 9. "Cotton Futures Act" means the United States Cotton Futures Act passed August 11, 1916, as amended.

Sec. 10. "Warehouse Act" means the United States Warehouse Act passed August 11, 1916, as amended.

Sec. 11. "Employee" includes any and all persons engaged in

the Trade, however compensated, except a member of the Trade.

Sec. 12. "Employer" includes anyone by whom such employee is compensated or employed.

Sec. 13. "Labor provisions" means all those matters relating to the determination and administration of hours of labor, rates of pay, and other conditions of employment within the Raw Cotton Trade, under the jurisdiction of the National Recovery Administration.

Sec. 14. "Books, records and reports" means any books, records, accounts, contracts, documents, memoranda, papers, correspondence, or other written data pertaining to the business of the person in question.

Sec. 15. "Executive Committee" means the executive committee of the Code Authority, authorized under subsection 2 (a), section 1 of article VI of this Code.

Sec. 16. "Regional" and "Local Councils" means the councils authorized under subsection 2 (b), section 1 of article VI of this Code.

Sec. 17. "State" includes Territory and the District of Columbia.

Sec. 18. "Population" for the purposes of this Code shall be determined by reference to the latest Federal Census.

Sec. 19. "Trading Rules" means the rules governing the Raw Cotton Trade as referred to in section 1, article VII.

Sec. 20. "New England Arbitration Board" means the established board of arbitration for quality of cotton recognized by the Trade and maintained jointly by the American Cotton Shippers' Association, the

National Association of Cotton Manufacturers and the New England Cotton Buyers Association for the purpose of arbitrating all disputes as to quality of cotton delivered.

Sec. 21. "New England Board of Appeals" means the established board recognized by the Trade, and maintained by the New England Cotton Buyers, for the purpose of arbitrating all disputes with regard to terms of contracts, subject to the Consolidated Trading Rules appended to this Code.

Sec. 22. "Cotton States Arbitration Board" means the established board recognized by the Trade, and maintained by the American Cotton Shippers' Association and the American Cotton Manufacturers Association for the purpose of arbitrating all disputes with regard to quality of cotton delivered, subject to the consolidated Trading Rules appended to this Code.

Sec. 23. "Southeastern Appeal Board" means the board recognized by the Trade, and maintained by the American Cotton Shippers Association and the American Cotton Manufacturers Association for the purpose of settling all disputes with regard to terms of contract, subject to the Consolidated Trading Rules appended to this Code.

#### ARTICLE III--HOURS

Section 1. Maximum Hours.--1. No employee shall be permitted to work in excess of forty (40) hours in any one (1) week or eight (8) hours in any twenty-four (24) hour period, except as herein otherwise provided. A normal work day shall not exceed eight (8) hours. There shall be the following exceptions:

(a) In not to exceed sixteen (16) weeks of any calendar year, employees retained under written contract throughout the year on the basis of an annual salary paid in equal installments, monthly, semi-monthly, or weekly may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks, or

(b) In not to exceed sixteen (16) weeks of any calendar year, employees may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks: Provided, however, That all such time worked in excess of forty (40) hours in any week or eight (8) hours in any day shall be compensated at not less than one (1) and one-third (1/3) times the normal hourly rate.

Sec. 2. Hours for Clerical and Office Employees.--1. No person employed in clerical or office work shall be permitted to work in excess of forty (40) hours in any one (1) week or eight (8) hours in any twenty-four (24) hour period. A normal work day shall not exceed eight (8) hours. There shall be the following exceptions:

(a) In not to exceed sixteen (16) weeks of any calendar

year, employees retained under written contract throughout the year on the basis of an annual salary paid in equal installments monthly, semi-monthly, or weekly may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks, or

(b) In not to exceed sixteen (16) weeks of any calendar year, employees may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks: Provided, however, That all such time worked in excess of forty (40) hours in any week or eight (8) hours in any day shall be compensated at not less than one (1) and one-third (1/3) times the normal hourly rate.

Sec. 3. Exceptions as to Hours.--1. The provisions of this article shall not apply to:

(a) Employees engaged in a managerial or an executive capacity who earn regularly thirty-five (35) dollars or more per week;

(b) Employees engaged in occupations requiring technical or expert knowledge in the merchandising of cotton who (1) earn regularly thirty-five (35) dollars or more per week, or (2)

are retained under written contract throughout the year on the basis of an annual salary of not less than twelve hundred (1200) dollars paid in equal installments monthly, semi-monthly, or weekly;

(c) Outside buyers and outside salesmen.

Sec. 4. Standard Week.--No employee shall be permitted to work more than six (6) days in any seven (7) day period except during a sixteen (16) weeks of any calendar year.

Sec. 5. Employment by Several Employers.--No employer shall knowingly permit any employee to work for any time which, when added to the time spent at work for another employer or other employers in this Trade, exceeds the maximum permitted herein.

#### ARTICLE IV--WAGES

Section 1. Minimum Wages.--No employee shall be paid in any pay period less than at the rate of twenty-two (22) and one-half (1/2) cents per hour, except as herein otherwise provided.

Sec. 2. Office and Clerical Employees.--No clerical or office employee shall be paid in any pay period less than at the rate of the following schedule of wages:

(a) Sixteen (16) dollars per week in cities of over 1,000,000 population, or in the immediate trade area thereof.

(b) Fifteen (15) dollars per week in cities of 500,000 to 1,000,000 population, or in the immediate trade area thereof.

(c) Fourteen (14) dollars and fifty (50) cents per week in cities of 250,000 to 500,000 population, or in the immediate

trade area thereof.

(d) Fourteen (14) dollars per week in cities of 2,500 to 250,000 population, or in the immediate trade area thereof.

(e) Twelve (12) dollars per week in all other places.

(f) Learners shall be paid not less than eighty (80) percent of the applicable minimum rate but in no event less than ten (10) dollars per week: Provided, however, That the total number of such learners shall not exceed five (5) percent of the total number of employees, except where one (1) such employee is more than five (5) percent.

Sec. 3. Piecework Compensation - Minimum Wages.--This article establishes minimum rates of pay which shall apply, irrespective of whether an employee is actually compensated on a time rate, piece-work, or other basis.

Sec. 4. Wages above Minimum.--Whenever the adoption of the minimum rates of this Code results in lessening the differential between unskilled labor and skilled occupations, wages above the minimum shall be increased so as to maintain the differentials existing on July 15, 1933. In no case shall full time weekly wages be reduced as a result of the adoption of this Code.

Sec. 5. Female Employees.--Female employees performing substantially the same work as male employees shall receive the same rate of pay as male employees.

Sec. 6. Handicapped Persons.--A person whose earning capacity is limited because of age or physical or mental handicap or other infirmity may be employed on light work at a wage below the minimum es-

tablished by this Code if the employer obtains from the State authority designated by the United States Department of Labor a certificate authorizing his employment at such wages and for such hours as shall be stated in the certificate. Each employer shall file monthly with the Code Authority a list of all such persons employed by him, showing the wages paid to, and the maximum hours of work for such employee.

#### ARTICLE V--GENERAL LABOR AND OTHER PROVISIONS

Section 1. Child Labor.--No person under sixteen (16) years of age shall be employed in the Trade in any capacity. No person under eighteen (18) years of age shall be employed at operations or occupations which are hazardous in nature or detrimental to health. The Code Authority shall submit to the Board within sixty (60) days of the effective date of this Code a list of such operations and occupations. In any State any employer shall be deemed to have complied with this provision as to age if he shall have on file a certificate or permit, duly signed by the authority in such State empowered to issue employment or age certificates or permits showing that the employee is of the required age.

Sec. 2. Provisions from the Act.--1. Employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection.

2. No employee and no one seeking employment shall be required

as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing, and

3. Employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment approved or prescribed by the President.

Sec. 3. Evasion through Subterfuge.--No employer shall re-classify employees or duties of occupation performed or engage in any other subterfuge so as to defeat the purposes or provisions of the Act or of this Code.

Sec. 4. Standards for Safety and Health.-- Every employer shall provide for the safety and health of employees during the hours and at the places of their employment. Standards for safety and health shall be submitted by the Code Authority to the Board within six (6) months after the effective date of the Code.

Sec. 5. State Laws.--No provision in this Code shall supersede any State or Federal law which imposes on employers more stringent requirements as to age of employees, wages, hours of work, or as to safety, health, sanitary or general working conditions, or insurance, or fire protection, than are imposed by this Code.

Sec. 6. Posting.--All employers shall post and keep posted copies of this Code in conspicuous places accessible to all employees. Every member of the Trade shall comply with all rules and regulations relative to the posting of provisions of Codes of Fair Competition

which may from time to time be prescribed by the Board.

Sec. 7. Fines and Deductions.--Wages shall be exempt from fines, charges, and/or deductions except with the written consent of the employee or when required by law.

Sec. 8. Payment of Wages.--Employers shall make payment of all wages in lawful currency or by negotiable checks, payable on demand. All contracts of employment shall prescribe payment of wages at least semi-monthly.

#### ARTICLE VI--ORGANIZATION, POWERS AND DUTIES OF THE CODE AUTHORITY

Section 1. Code Authority.--1. A Code Authority of the Trade shall be established for the purpose of assisting in the administration, supervision, and promotion of the performance of the provisions of this Code. Except as the jurisdiction of the Secretary and the Board may hereafter be changed pursuant to order of the President, the Code Authority shall assist the Board in all matters relating to the administration of provisions in this Code relating to hours of labor, rates of pay, and other conditions of employment and shall assist the Secretary in all matters relating to the administration of all the other provisions of this Code.

2. The Code Authority shall consist of not less than twenty-six (26) nor more than thirty (30) members, and shall be constituted, forthwith upon the approval of this Code, of representatives of members of the Trade selected by the following organizations and agencies:

- (1) The President and the Secretary of the American Cotton Shippers Association.

One (1) representative each from the:

- (2) California-Arizona Cotton Association.
- (3) Oklahoma State Cotton Exchange.
- (4) Arkansas Cotton Trade Association.
- (5) Southern Cotton Shippers Association.
- (6) Atlantic Cotton Association.
- (7) Carolina Spot Brokers Association.
- (8) Staple Cotton Cooperative Association.
- (9) New England Cotton Buyers Association.
- (10) American Association of Cotton Manufacturers.
- (11) North Carolina Cotton Manufacturers Association.
- (12) South Carolina Cotton Manufacturers Association.
- (13) Cotton Manufacturers Association of Georgia.
- (14) Mills not members of any of the mill associations named in (10), (11), (12), (13), and (15) of this list, to be elected under the supervision of the Secretary and the Board.

Two (2) representatives each from the:

- (15) National Association of Cotton Manufacturers.
- (16) Texas Cotton Association;
- (17) Five (5) representatives from the American Cotton Cooperative Association and associated cooperative associations.
- (18) Three (3) representatives of spot cotton markets, recognized under the Cotton Futures Act, one (1) to be elected by the members in each of the following groups of States:

Group 1: Virginia, North Carolina, South Carolina, Georgia, Florida.

Group 2: Alabama, Mississippi, Louisiana, Tennessee,  
Arkansas, Missouri.

Group 3: Texas, Oklahoma, Arizona, New Mexico, and  
California.

(19) Three (3) representatives of unorganized country traders in rural sections who are not members of any of the above named groups, one (1) to be elected by such traders from each of the three(3) groups of States outlined in (18) above, under the following supervision: The Secretary shall invite the director of extension in each of the States named to call a conference of unorganized traders in his State to elect a delegate or delegates to a conference of the delegates of each group of States under regulations prescribed by him. The location of such regional conference of delegates shall be arranged by the Directors of Extension under the leadership of a director whom the Secretary may designate for that purpose. The regional representatives so chosen shall be accepted by the Code Authority as the representatives of unorganized traders subject to the disapproval of the Secretary and/or the Board.

No member of the Trade shall be represented on the Code Authority by more than one (1) member of that body, except the American Cotton Cooperative Association.

Members of the Code Authority shall be selected, insofar as possible, within fifteen (15) days after the effective date of this Code, to serve until May 1, 1935, and thereafter for terms of one (1) year

during the life of this Code, except as to the representatives of the American Cotton Shippers Association, whose services shall be governed by their tenure of office in that Association.

(a) Alternates for each member of the Code Authority may be selected in the same manner as active members of the Code Authority are selected. Alternates may at all times sit in meetings of the Code Authority without vote. In case of a vacancy on the Code Authority, the alternate shall fill out the remainder of the term.

If a member (or alternate) of the Code Authority shall in any case be a party charged with violation of this Code (or the representative of such a party), he shall, for the purpose of the investigation of said allegation and determination of the issue, be deprived of all his rights, duties, and privileges as a member (or alternate) of the Code Authority.

In all matters before the Code Authority involving those parts of the Consolidated Trading Rules which relate to cotton mills, the combined representatives of the mills shall have an equal voice with the combined representatives of all other groups.

(a) Executive Committee.-- The Code Authority shall select from its number an executive committee of seven (7) members of whom (1) shall be the representative of a cooperative association, two (2) from the mill group, one (1) for the spot cotton markets, and, if on May 1 of any year there is on the Code Authority a representative of unorganized traders, one (1) member of the executive committee shall be selected from this group.

(1) The Code Authority may delegate to such executive

committee such of its authority and duties as it may choose.

Alternates to the members of the executive committee shall be selected by the Code Authority in the same manner as active members are chosen.

(2) Regional and Local Councils.—The Code Authority may, upon its own motion or upon application by members of the Trade in any region or locality, authorize and establish regional or local councils to aid in the administration of this Code. Existing trade organizations may be utilized or designated as such instrumentality of the Code Authority wherever such organizations are active and functioning as authorized in subsection 1 (a) of section 2 of article VI:  
Provided, They comply with subsections 3 and 4 of section 1 of article VI, and: Provided further, That provisions shall be made for participation by representatives not members of such existing organizations, in any action, investigation, or deliberation involving any non-member.

(1) In localities where there are no such recognized trade organizations and where a local council is needed for the purposes of the Code, members of the council shall be elected by members of the Trade in such locality, who comply with subsection 5 of this section, under rules and regulations prescribed by the Code Authority, and designed to secure fair representation of the interests of all such members in the administration of the Code. The territorial limits of any regional or local council and

the powers and duties delegated to it shall be fixed by resolution of the Code Authority authorizing the creation of such council.

(c) Representatives of the Secretary and the Board.--In addition to membership as above provided, the Secretary and the Board may each appoint not more than three (3) members or representatives to serve for such terms as they may specify, with the right to sit without vote, in all meetings of the Code Authority and its Executive Committee, and the regional and local councils, for which purpose they shall receive due notice in time reasonably to permit their attendance at all such meetings and, if requested by any one or more of them, of any local council. The Secretary and/or the Board may also designate other representatives to sit without vote in any local council, under instructions that he or it may issue for that purpose. Each representative shall receive a copy of all minutes and reports of any of these bodies and shall have access to all books, records, and data open to his principal -- the Board's representatives as to all matters concerning labor provisions, and the Secretary's representatives as to all other matters.

3. Restriction by Associations.-- Each trade or industrial association directly or indirectly participating in the selection or activities of the Code Authority shall (1) impose no inequitable restriction on membership, and (2) submit to the Secretary and the Board true copies of its articles of association, bylaws, regulations,

and any amendments when made thereto, together with such other information as to membership, organization, and activities as the Secretary or the Board may deem necessary to effectuate the purposes of the Act.

4. Right to Modify Code Authority-- In order that the Code Authority shall at all times be truly representative of the Trade and in other respects comply with the provisions of the Act, the Secretary or the Board may prescribe such hearings as he or it may deem proper; and thereafter if he or it shall find that the Code Authority is not truly representative or does not in other respects comply with the provisions of the Act, may require an appropriate modification in the method of selection of the Code Authority, or take such other action as the evidence adduced at the hearing may warrant.

5. Officers and Finances.

(a) The Code Authority shall have the right to employ such salaried officers and employees as may be required for the purposes of this Code, subject to the approval by the Secretary and the Board of a budget and plans for raising funds as hereafter provided in this subsection.

(b) It being found necessary, in order to support the administration and to maintain the standards of fair competition established hereunder and to effectuate the policy of this Act, the Code Authority is authorized:

(1) To incur such reasonable obligations as are necessary and proper for the foregoing purposes, and to meet such obligations out of funds which may be raised as hereinafter provided and which shall be held in trust for

the purposes of this Code:

(2) To submit to the Secretary and/or the Board for his and/or its approval, subject to such notice and opportunity to be heard as he or it may deem necessary, (1) an itemized budget of its estimated expenses for the foregoing purposes; and (2) an equitable per bale basis of bales handled upon which funds necessary to support such budget shall be contributed by members of the Trade: Provided, however, That cotton mills shall be required to contribute at only one half the per bale rate contributed by other members of the Trade.

(3) After such budget and per bale basis of contribution have been approved by the Secretary and/or the Board to determine and obtain equitable contributions as above set forth by all members of the Trade, and to that end, if necessary to institute legal proceedings therefor in its own name.

(c) Each member of the Trade shall pay his or its equitable contribution to the expenses of the maintenance of the Code Authority determined as hereinabove provided, and subject to rules and regulations pertaining thereto issued by the Secretary and the Board. Only members of the Trade complying with the Code and contributing to the expenses of its administration as hereinabove provided, unless duly exempted from making such contribution, shall be entitled to participate in the selection of members of the Code Authority or to receive the benefits of any of its voluntary activities or to make any use of any emblem

or insignia of the National Recovery Administration.

(d) The Code Authority shall neither incur nor pay any obligations substantially in excess of the amount thereof as estimated in its approved budget; and shall in no event exceed the total amount contained in the approved budget, except upon approval of the Secretary and/or the Board; and no subsequent budget shall contain any deficiency item for expenditures in excess of prior budget estimates, except those which the Secretary and/or the Board shall have so approved.

6. Responsibility of members of the Code Authority.-- Nothing contained in this Code shall constitute the members of the Code Authority partners for any purpose. Nor shall any member of the Code Authority be liable in any manner to anyone for any act of any other member, officer, agent, or employee of the Code Authority. Nor shall any member of the Code Authority, exercising reasonable diligence in the conduct of his duties hereunder, be liable to any one for any action or omission to act under this Code, except for his own willful malfeasance or nonfeasance.

7. Suspension of action of the Code Authority.--If the Secretary or the Board shall determine as to matters subject to their respective jurisdiction that any action of the Code Authority or any agency thereof may be unfair or unjust or contrary to the public interest, the Secretary or the Board, as the case may be, may require that such action be suspended to afford an opportunity for investigation of the merits of such action and further consideration by such Code Authority or agency pending final action, which shall not be effective

unless the Secretary or the Board approves, or unless he or it shall fail to disapprove after thirty (30) days' notice to him or it of intention to proceed with such action in its original or modified form.

Sec. 2. Powers and Duties of the Code Authority.--1. In all matters relating to the administration of the provisions of this Code (except as the jurisdiction of the Secretary and the Board may hereafter be changed, pursuant to the order of the President), the Code Authority, subject to such rules and regulations as may be issued by the Secretary and the Board, shall have the following further powers and duties, the exercise of which relating to hours of labor, rates of pay, and other conditions of employment shall be reported to the Board, and as to all other provisions, unless otherwise specified, shall be reported to the Secretary:

- (a) To appoint, at its discretion, such regional councils and committees as outlined in subsection 2 (b), section 1 of article VI, as it may deem necessary to assist in the administration of the provisions of this Code;
- (b) To insure the execution of the provisions of this Code and provide for the compliance of the members of the Trade with the provisions of the Act;
- (c) To adopt bylaws and rules and regulations for its procedure;
- (d) To obtain from members of the Trade such information and reports as may be required for the administration of this Code and to provide for submission by members of such informa-

tion and reports as the Secretary and/or the Board may

deem necessary for the purposes recited in section 3 (a) of the Act;

(e) To use such trade associations and other agencies as it deems proper for the carrying out of any of its activities provided for herein: Provided, however, That nothing herein shall relieve the Code Authority of its duties or responsibilities under this Code and that such trade associations and agencies shall at all times be subject to and comply with provisions hereof;

(f) To provide facilities for the arbitration of disputes concerning the quality of cotton delivered and/or appeals concerning the terms of contracts, using for these purposes the facilities of any of the cotton associations or exchanges, the New England Arbitration Board, the New England Board of Appeals, the Cotton States Arbitration Board or the Southeastern Appeal Board, and, as to quality, the United States Department of Agriculture, insofar as practicable, under the provisions of the Consolidated Trading Rules appended to this Code. Where these arrangements may not be available or are inadequate, the Code Authority shall set up such other facilities as may be necessary for these purposes, under rules and regulations that it may promulgate subject to the disapproval of the Secretary;

The Code Authority may authorize, assume and/or pay expenses incurred by any regional or local council or recognized arbitration or appeal board in the performance of the duties delegated

to such body under the terms and provisions of this Code:

.Provided, however, That no part of the expenses of any arbitration or appeal body charging a fee for its services shall be assumed, unless fees to non-members are substantially the same as to members of any trade association or organization with which the arbitration or appeal body is affiliated and unless all fees collected are credited to the expenses of maintaining such body.

(g) To make recommendation to the Secretary and/or the Board for the coordination of the administration of this Code and such other codes, if any, as may be related to or affect the members of this Trade;

(h) To recommend to the Secretary and/or the Board any action or measures deemed advisable, including further fair trade practice provisions to govern members of the Trade in their relations with each other or with other trades, and measures for industrial planning and stabilization of employment;

(i) To appoint a trade practice committee which shall meet with the trade practice committees appointed under such other codes as may be related to the Trade, for the purpose of formulating fair trade practices to govern the relationships between employers under this Code and under such other codes to the end that such fair trade practices may be proposed to the Secretary and/or the Board as amendments to this Code and such other codes;

(j) To investigate and prepare reports upon complaints of alleged violations of this Code, issue warnings to violators, and, in case of flagrant violations or when requested, submit reports and recommendations thereon to the Secretary: Provided, however, That if a member or alternate of the Code Authority or any of its subsidiary agencies under this Code shall in any case be a party charged with violation of this Code (or the representative of such party), he shall for the purposes of the investigation of said allegation and determination of the issue be deprived of all his rights, duties and privileges as a member or alternate of the Code Authority.

2. Duties of Regional and Local Councils.--The regional and local councils shall constitute local or regional organizations of cotton traders as authorized in subsection 2 (b), section 1 of article VI, and subsection 1(a), section 2 of article VI, to function, each within its territory, as the representative of the Code Authority, and in addition to taking the initiative in promoting the objectives of the Code in its territory, they may make recommendations to the Code Authority touching any aspect of the purposes and administration of this Code.

All action by regional and local councils shall be subject to the supervision and disapproval of the Code Authority.

3. Records.--The Code Authority, the Executive Committee, and the regional or local councils shall keep minutes of all meetings; and copies of the minutes and of all reports shall be sent promptly to the Code Authority and to the representatives of the Secretary and of the Board under this Code.

## ARTICLE VII--UNFAIR METHODS OF COMPETITION

The following practices constitute unfair methods of competition and are prohibited:

Section 1. Trading Rules.--To trade in raw cotton without observing the applicable or specified rules for buying and selling cotton appended to this Code and made a part hereof as Exhibit "A", known as Consolidated Trading Rules or American Cotton Rules, or as they hereafter may be amended with the approval of the Secretary. Amendments to the Consolidated Trading Rules may be proposed by any association, exchange, or group recognized under this Code, and shall become effective upon the approval of the Code Authority subject to disapproval by the Secretary: Provided, however, That associations and exchanges may prescribe other rules not in conflict with the trading rules under this Code, to govern transactions of its members, but such rules shall be submitted promptly to the Code Authority and the Secretary, and if found by either agency to be in conflict with rules under the Code, shall be modified or suspended forthwith.

Sec. 2. Private Types.--To use or refer, in the description of any cotton, to any private type, unless such type samples have been duly registered with the Department and are used in accordance with its regulations under the Cotton Standards Act: Provided, however, That this section shall not be construed to require the registration of any actual sample or type sample.

Sec. 3. Quality, Location and Price.--To purchase, trade in or make final settlement for cotton secured directly from a producer,

at a price widely out of line with its current market price, according to quality, quantity, and geographical situation at the time the transaction is consummated, or at a price that is clearly discriminatory between producers or producing areas. The classification of a lot of cotton by a classer employed or licensed by the United States Department of Agriculture shall be accepted as *prima facie* evidence of its quality as a basis for determining price. Exacting an excessive or abnormal charge for supplies exchanged for cotton or for storage or other services or for interest on open accounts or for fees or commissions or loans in connection with a cotton trade, shall be regarded as a violation of this section.

Sec. 4. Over and Undergrading.--To over or underclass or weigh any lot of cotton beyond a reasonable tolerance, for or on behalf of any party to any transaction in which such cotton is involved.

Sec. 5. Arbitration.--To refuse to arbitrate any dispute over a trade or contract involving either the quality of cotton delivered or the terms of the contract, in accordance with the applicable or specified trading rules, or to fail or refuse to abide by the decision of such arbitration or the appeal therefrom.

Sec. 6. Excess Sampling.--To take or permit to be taken any pickings or unwarranted sample, or any sample in excess of sixteen (16) ounces, made up of eight (8) ounces from each side, from any bale in the custody of a member, unless a larger sample has been authorized in writing by the owner.

Sec. 7. Posting Terms for Special Services.--To exact a storage or other charge not included in the specified terms of the contract, for handling cotton involved in a trade, without, at the time of the transaction, having posted prominently in the place where the supplementary service is claimed to be rendered, the rates of charge for such service.

Sec. 8. Gifts and Gratuities.--To give, pay, promise to give or pay, either directly or indirectly, to any patron or the employee of any patron, either buyer or seller, or of an associated agency of either, any rebate, free drayage or storage, gratuity, gift, bribe or other payment, premium or other special reward whatsoever beyond the regular and legitimate price paid for the cotton.

(a) Nothing in this section shall be construed to interfere with or prevent the distribution to members and patrons of cooperative associations, of dividends or reserve from properly earned income.

(b) Nothing in this section shall be construed to prohibit, for the present, a cotton trader from selling cotton on consignment and accepting storage without charge in a mill warehouse, against the time when the cotton is purchased by the mill. In the event that this Code is extended beyond June 15, 1935, then such practice shall be prohibited after July 1, 1936, unless the Code Authority shall find for a particular mill that a further extension of this privilege is warranted.

#### ARTICLE VIII--GENERAL

Section 1. Modification by the President.--This Code and all the provisions thereof are expressly made subject to the right of the President of the United States in accordance with the provisions of subsection (b) of section 10 of the Act, from time to time, to cancel or modify any order, approval, license, rule or regulation issued under said Act.

Sec. 2. Reports.--1. The members of the Trade shall severally, from time to time, upon the request of the Secretary (or the Board in the case of information relating to hours of labor, rates of pay and other conditions of employment), furnish such information to such Federal and State agencies on and in accordance with forms of reports supplied to them (which reports shall be verified under oath) as the Secretary or the Board may designate and require (1) for the protection of consumers, competitors, employees and others, and in furtherance of the public interest, and (2) for the determination by the Secretary or the Board of the extent to which the declared policy of the Act is being effectuated by this Code.

2. Nothing in this Code shall relieve any person of existing obligations to furnish reports to Government agencies.

3. No individual reports shall be disclosed to any other member of the Trade or any other party except as may be directed by the Secretary or the Board.

Sec. 3. Amendments.--This Code may be amended at any time for the better effectuation of the purposes and policies of Title I of the National Industrial Recovery Act upon the recommendation of the Code Authority and the approval of the Secretary and/or the Board, each as to the provisions over which he and/or it has jurisdiction.

Sec. 4. Relation to Existing Laws and Regulations.--Nothing in this Code shall in any way conflict with or be construed as conflicting with the Cotton Standards Act, Cotton Futures Act, or the U. S. Warehouse Act or rules and regulations thereunder relating to raw cotton, insofar as applicable to this Trade, and any provisions of this Code shall be construed as in addition to requirements under those acts and regulations.

Sec. 5. Relation to Future Marketing Agreement and License.--If any license is hereafter issued or any marketing agreement hereafter executed, pursuant to the provisions of the Agricultural Adjustment Act, containing provisions covering the subject matter referred to in sub-clauses (1) to (7) inclusive, of Section 1 of the Executive Order No. 6551 of January 8, 1934, then to that extent such license or marketing agreement shall supersede such provisions of this Code.

Sec. 6. Monopolies.--No provision of this Code shall be so applied as to permit monopolies or monopolistic practices or to eliminate, oppress or discriminate against small enterprises.

Sec. 7. Effective Date.--This Code shall become effective on the second Monday after its approval by the President.



Exhibit A of the Proposed  
Code of Fair Competition  
for the Raw Cotton Trade

A PROPOSED CONSOLIDATION OF RULES FOR THE  
PURCHASE AND SALE OF RAW COTTON  
IN AMERICAN MARKETS

Prepared in the  
Division of Cotton Marketing,  
Bureau of Agricultural Economics,  
at the request of the  
Agricultural Adjustment Administration,  
United States Department of Agriculture,  
and the principal cotton organizations of the  
United States.

\* \* \* \* \*

Revised draft of October 1934  
as submitted to the Agricultural  
Adjustment Administration, sub-  
ject to further amendment.

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GENERAL RULES APPLYING TO ALL  
CONTRACTS

Title and Applicability of Rules

- Title                    1. These rules shall be known as "The American Cotton Rules."
- Applicability            2. All domestic transactions in raw cotton shall be subject to the following general and supplemental rules and to the definitions in the appendix hereto, except when otherwise specifically provided by contract, or when in conflict with state or Federal law.

Contracts

- Contract obligations -- when established            11. Contract obligations between buyer and seller are established when either the buyer has accepted the seller's offer or the seller has accepted the buyer's bid, and when the number of bales and/or weight, as the case may be, the quality, the price or price basis, and the time and place of delivery have been agreed upon. Thereafter neither party may, except by agreement of the other or when the other party is in default, avoid or cancel the contract, and then only under such terms as are set forth in these rules.
- Confirmations            12. It shall be the duty of each of the parties within 24 hours to mail or deliver written confirmation or to file telegraphic confirmation of the contract,

unless by mutual agreement the purchaser within 24 hours mails or delivers to the seller a confirmation in duplicate and the seller within 24 hours of receipt of such confirmation, signs and returns one of the copies to the buyer, or unless in the meantime the contract shall have been executed and closed; but in the case of a sale through a factor or broker, a sales note or memorandum given or mailed by the factor or broker within 24 hours to each of the principal parties shall be deemed a sufficient compliance with this rule.

Substitution of  
parties

13. Each contract shall contemplate fulfillment according to its terms by the original parties and no substitution of parties shall in any case be made without mutual agreement in writing between such original parties.

Implied  
conditions

14. In the absence of notice to the contrary, it shall be understood that the parties to each contract are competent; that the cotton to be delivered will be merchantable in all respects and in condition for shipment as stipulated in the contract, and free of liens for labor, rent, taxes, loans or any other debt; that the contract shall conform in general to the laws governing sales, weights, measures and standards of quality in the jurisdiction where it is made or is to be performed.

Conditions to  
be expressed

- 5 -

15. Contracts should be explicit with respect to the following:

- (a) Price or price basis with applicable premiums and discounts for grades and staples; if a call transaction, whether buyer's or seller's call, the month and market on which the price is based, and original margins, if any.
- (b) Whether payment is to be in cash upon presentation of documents, or if a time draft or acceptance, the period within which it is to be taken up.
- (c) Quantity (Number of bales and/or weight).
- (d) Quality.
- (e) Density (Whether uncompressed or compressed to standard or high density).
- (f) Time of shipment or delivery.
- (g) Territory or place of origin of shipment or delivery.
- (h) Whether delivery includes expense bills in whole or in part, and if so, number of bales represented.
- (i) If compressed, weight of patches.

Note: Items (h) and (i) not essential in sales involving shipment by the seller to mills.

Bids and Offers

Subject to immediate acceptance      21. All bids and offers shall, unless otherwise specified, be subject to immediate acceptance.

Bids and offers "good for the day"      22. Bids and offers "good for the day" shall expire at 8:00 P. M. at the place from which they are made, unless rejected and/or canceled in the meantime expressly or by a counter bid or offer.

"Offers good until canceled"      23. An offer "good until canceled" shall be good until advice of cancellation is received, but in no event longer than ten days.

Descriptions of Quality

Essentials of a description      31. Descriptions of quality shall be in accordance with the official Cotton Standards of the United States, except when they may be lawfully made according to actual samples, types or by reference to a previous delivery.

Descriptions implied in the absence of a complete description      32. Should any contract fail to include a complete description of quality, the following shall be understood as implied with respect to any omitted item: grade - any merchantable grade as defined; staple - nothing less than 7/8 of an inch; character - equal to the average of the territory where grown. When grade is described according to the official cotton standards of the United States, it may be

expressly agreed that the cotton shipped or delivered shall be equal in all respects to each of the factors of leaf, color and preparation of the grade specified; but in the absence of an express agreement to the contrary, the seller may ship or deliver cotton the average of the factors of which is not below the grade specified, provided that the cotton shipped or delivered shall not be lower in any factor than the grade specified by more than one grade.

Descriptions of preparation implied in absence of specific descriptions

33. When long staple cotton is bought or sold on a grade specification, unless otherwise specified, the "B" preparation of the grade specified, as promulgated by the Department of Agriculture, shall be understood. When cotton is bought or sold on color of one grade and leaf of another grade but without a specification as to preparation, the "B" preparation of the grade specified for leaf shall, unless otherwise specified, be understood. When short staple cotton is bought or sold according to one grade standard for color and to another for leaf, but without a specification as to preparation, the preparation of the grade specified for leaf shall, unless otherwise specified, be understood.

Even-running  
grades --  
Tolerance

34. In sales of even-running grades, unless otherwise specified, five percent of the bales delivered may be a grade below the grade specified, if offset by an equal percentage of bales a grade above the grade specified.

No tolerance  
on average  
grades

35. In sales of an average grade, unless otherwise specified, nothing below the lowest grade specified can be delivered.

Description of  
one grade to  
another

36. Unless otherwise specified, the description of one grade to another shall mean nothing below the lowest grade specified and nothing above the highest grade specified; and the shipment of the lowest grade specified shall be deemed to fulfill the contract.

Description of  
one length  
of staple to  
another

37. Unless otherwise specified, description of one length of staple to another length of staple shall mean nothing below the shortest length specified and nothing above the longest length specified; and the shipment of the shortest length specified shall be deemed to fulfill the contract.

Even-running  
staples --  
Tolerance

38. In sales of even-running staples, unless otherwise specified, five percent of the bales delivered may be 1/32 of an inch shorter than the

staple length specified if offset by an equal percentage of bales 1/32 of an inch longer than the staple length specified.

Type  
descriptions

39. When any factor or factors of quality are described as equal to a type or previous delivery, the contract shall be understood as requiring the delivery of cotton equal in all respects to the factor or factors represented; but if the type or previous shipment shall have included cotton of more than one grade or staple, the grades and staples of the bales shipped or delivered on such description shall be proportioned accordingly.

Sales on  
actual samples  
-- Seller's  
responsibility

40. When quality is described according to actual samples furnished by the seller, the seller, unless otherwise specified, shall guarantee the integrity of the samples and shall be obligated to deliver the actual bales from which the samples were drawn. When, however, samples are drawn by the buyer or are drawn by a third party and accepted by the buyer, the seller shall be clear of any obligation in this respect.

"On Call" Transactions

Time of  
fixation

51. When cotton is bought and/or sold "on call" based on futures, unless otherwise specified or extended by mutual agreement, the price shall be fixed not later than the last market day preceding the first notice day of the month on which the contract price is based. If the fixation has not been made by the party having the call and unless the time for fixation has been postponed by mutual agreement, then the price is automatically fixed on the close of the market of the last day preceding the first notice day of the month on which the contract price is based.

Quotation to  
be used for  
fixation

52. Unless an actual execution of futures is involved in the fixation of the price in an "on call" transaction or unless otherwise specified, when the price is fixed on the close of the market the average of the closing price range of the designated month shall be used but when the fixation is on the opening of the market, the first quotation of the designated month shall be used.

Cost of  
transfers

53. If the call privilege has been transferred from one futures month to another, the party having the call shall pay the necessary expense of transfer which expense shall consist of the usual commission charged a non-member of the cotton exchange involved, plus tax, if any.

Invoicing at a  
provisional  
price

54. If the price has not been fixed by the time of invoicing, the cotton shall, unless otherwise specified, be invoiced at a provisional price based on the market of that day. Thereafter, either party shall have the right to call for margin to meet any advances or declines in the market from the base price of the provisional invoice. Demands for margin shall be met immediately in funds designated by the party calling for margin, otherwise the party calling for margin may fix the price at his discretion, provided, however, that telegraphic or equivalent written notice of his intention to fix must be given the other party to the contract.

Margins and Guarantee of Performance

Original  
margins

61. Original margin, if any, to guarantee the faithful performance of a contract shall be specified in the contract.

Additional  
margins

62. Unless otherwise specified, when cotton has been shipped prior to price being fixed, or when the price has been fixed in advance of the date of shipment or delivery, the buyer or the seller may call for margins to the extent of five dollars (\$5.00) per bale for every hundred points advance or decline in the market. Amounts due when called shall be

remitted immediately and in case of an interstate transaction shall be in New York or other mutually satisfactory funds.

If the limit of variation in price as herein provided has been reached and such margins have not been remitted immediately as called for, the party calling for margin may, at his option, close out the contract immediately and settlement shall be made at the price at which the contract has been so closed out. Interest shall not be charged on margins or differences.

Margins on  
consignment  
cotton

63. Unless otherwise mutually agreed, when advances are made against cotton received on consignment, pending sale, the consignee may call on the owner of the cotton for margins to the extent of five dollars (\$5.00) per bale under the market value to indemnify himself against possible loss by reason of a decline in price. If the owner of the cotton fails to comply immediately with such demand for margin the consignee may, at his option, without further notice, sell the cotton at the best obtainable price and apply the proceeds to the credit of the owner.

Exchange

Paid by  
seller

71. Unless otherwise specified in the contract, bank exchange shall be for the account of the seller.

SUPPLEMENTAL RULES

PART I -- ADDITIONAL RULES APPLYING SPECIALLY  
TO INTRIOR AND PORT SALES

Deliveries

Growers' Terms

Buyer to take  
up cotton at  
the bale

101. Unless otherwise agreed, when trans-  
actions involve gin yard, street, or mill door  
delivery, the buyer shall have the privilege of  
taking up the cotton at the bale. All accrued  
charges shall be paid by the seller but the buyer  
shall pay all costs for sampling, weighing or other  
services ordered by him.

Delivery and  
settlement

102. The buyer may elect to weigh or reweigh  
the cotton in the presence of the seller, or to have  
the cotton weighed or reweighed without expense to  
the seller by a weigher licensed by a State or Federal  
authority or by any other weigher acceptable alike to  
buyer and seller. Unless the buyer elects to weigh  
or reweigh the cotton or have it so weighed or  
reweighed, the settlement shall be calculated upon  
the seller's weights.

Seller's  
privilege  
to claim  
official  
class

103. Unless otherwise specified, if the  
cotton is sold at a basis price with agreed premiums  
and discounts for bales above and below the basis

quality either party may demand that the classification of the cotton be certified at his expense by a regularly established board of cotton examiners of the United States Department of Agriculture, from samples approved by both seller and buyer or drawn by a sampler licensed and bonded by the Federal Government or other mutually satisfactory sampler, subject to the right of either party to request a review of the classification as provided in Federal regulations. The buyer shall accept the classification outturn so determined and pay for the cotton accordingly; provided that if either buyer or seller elects to request a review he shall give notice to the other immediately upon receipt of the original classification outturn. All costs incurred in a review of the classification shall be shared by the parties in the proportion in which their contentions are not sustained on the review.

Seller's prerogative as to payment

104. The seller may demand a certified check or a banker's payment in settlement for the cotton.

Risk and insurance

105. Unless otherwise agreed, the risk of the seller shall terminate and the risk of the buyer shall attach upon delivery of or payment for the cotton, whichever occurs first.

When settle-  
ment final

106. Delivery shall be complete when the classification and weights have been determined and/or the cotton paid for by the buyer, and the settlement shall be final except as it may be reopened by the buyer or seller for fraud or false representation or concealed damage.

Ex-warehouse Terms

Uncompressed  
bales to be  
delivered  
unless other-  
wise agreed

107. Unless otherwise specified, ex-warehouse terms shall contemplate the delivery of uncompressed bales with all accrued charges, to date of invoicing, paid by the seller. If by mutual agreement compressed and patched bales are delivered, the seller shall invoice the cotton on the unpatched weights and shall charge the buyer the prevailing cost of patches, provided that if the cotton is compressed to high density the seller shall charge the buyer the prevailing cost of high density compression.

Cotton may be  
taken up at  
the bale

108. Unless otherwise agreed, the buyer shall have the privilege of receiving the cotton at the bale; but in case it is mutually agreed that the buyer will take up the cotton from samples submitted and guaranteed by the seller, then the buyer shall have the right, at his own expense, to have samples redrawn. If the cotton is reweighed, such redrawn samples shall be weighed with the cotton or their weight invoiced.

Weights

109. Unless otherwise specified, the seller at the time of delivery may have the cotton weighed, at his own expense, by an authorized warehouse weigher or by a public weigher, and invoice it accordingly; otherwise the cotton shall be invoiced at weights last determined by the warehouse or by a public weigher; provided, however, that the buyer shall have the privilege of demanding reweights, at the seller's expense, if the cotton has been sampled more than once after weighing, or if more than 30 days have elapsed since the cotton was weighed, and that the buyer may in any case demand that the cotton be reweighed at his own expense. Weights shall be ascertained after any damaged cotton has been removed.

Payment

110. Unless otherwise agreed, all cotton shall be paid for in local funds at the place of delivery of the cotton against invoice and documents within regular banking hours of the day presented, but if such invoice and documents are presented in less than 2 hours prior to the regular bank closing time, the buyer shall have the right to make the payment during the first regular banking hour the following day. Should the buyer desire to make payment at a later hour than provided herein, the

seller shall have the right to demand that all checks offered in payment for the cotton shall be certified by the bank upon which they are drawn before surrender of the documents.

Risk and  
insurance

111. Unless otherwise specified, the risk of the seller shall terminate and the risk of the buyer shall attach when the cotton is paid for and/or upon delivery to the buyer or his agent of negotiable warehouse receipts properly endorsed, or a compress delivery order acceptable to the warehouse for transfer to the buyer or his agent.

F. O. B. Terms

Any quantity  
shipment

112. (a) Unless otherwise specified in the contract, when cotton is sold f.o.b. cars at a designated place, the seller shall obtain a railroad bill of lading for the specified quantity of cotton in uncompressed bales and shall assume all accrued charges.

(b) When cotton is sold f.o.b. compress at a designated place, the seller shall deliver compress receipts for the specified quantity of cotton in uncompressed bales and shall assume all accrued charges prior to delivery.

Minimum carload  
shipment

113. When the contract specifies the minimum carload weight and the particular transportation rate to be applied, delivery shall consist of loading on the cars the quantity of cotton specified, in bales of such density as are required to accomplish the loading specified, and the obtaining of a railroad bill of lading with all accrued charges including loading paid by the seller; except that compression, if necessary, and marking, patching or other services ordered by the buyer shall be paid for by him.

Buyer's  
privilege  
to route  
cotton

114. The buyer of cotton on f.o.b. terms shall have the privilege of routing or directing the shipment and if the cotton is to be compressed in transit to designate the place of compression when such designation is not in conflict with railroad regulations; provided that the seller shall have the right to designate the originating line if necessary to protect transit refund or freight bills held by him. Shipping instructions shall be furnished the seller simultaneously with the confirmation of the purchase or 24 hours preceding the date of delivery specified in the contract, but the seller shall not be bound by the buyer's instructions unless given in writing.

Seller to  
guarantee  
weights un-  
less compress  
weights  
specified

115. Unless compress weights are specified, or unless otherwise agreed, correct weights shall be understood as guaranteed by the seller, and the buyer shall have the option of either accepting invoice weights, or of reweighing the cotton. In the event such reweights are unsatisfactory to the seller, he may engage, at his own expense, a disinterested weigher, acceptable to the buyer, to weigh and determine the weight on which payment shall be made.

Payment

116. Payment shall be made against properly endorsed railroad bills of lading or their acceptable equivalent and shall be in funds collectible at destination or other point designated by the buyer. Railroad bills of lading shall show car numbers and initials and the number and marks of the bales therein; and weights shown on bills of lading shall agree with invoice weights. In any case where it is impracticable to show car initials and numbers at the time the bill of lading is issued, information concerning such initials and numbers shall be furnished the buyer before the draft is paid.

Risk and  
insurance

117. (a) Unless otherwise specified, when cotton is sold f.o.b. cars the risk of the seller shall terminate and the risk of the buyer shall attach

upon the issuance by the carrier of the bill of lading. The seller shall not be required to replace cotton destroyed, lost, or damaged after issuance of bill of lading.

(b) Unless otherwise specified, when cotton is sold f.o.b. compress or warehouse the risk of the seller shall terminate and the risk of the buyer shall attach when the cotton is paid for and/or upon delivery to the buyer of negotiable compress or warehouse receipts properly endorsed or a delivery order acceptable to the compress or warehouse for transfer to the buyer or his agent.

Landed or To-Arrive Terms

Seller  
guarantees  
actual  
delivery

118. Unless otherwise specified, when cotton is sold "landed" or "to-arrive," the price agreed upon shall include freight to destination and delivery free of cost to the buyer at the place designated. The risk of the seller shall terminate and the risk of the buyer shall attach upon the arrival of the cotton at the destination specified. The seller shall guarantee actual delivery of the cotton at destination and shall accompany draft with certificate or other proof of insurance satisfactory to the buyer. Cotton lost or destroyed in transit shall, at the option of the buyer,

be replaced with like cotton which shall be shipped within 7 business days from the date of notice of such loss or destruction.

Weights

119. Unless otherwise agreed, weights at destination shall govern. If the cotton is shipped by rail, the seller shall deliver documents to the buyer before arrival of the cotton at destination.

Buyer's  
privilege  
to route  
cotton

120. The buyer of cotton on "landed" or "to-arrive" terms shall have the privilege of routing or directing the shipment subject to the provisions of Rule 114.

Payment when  
cotton  
shipped  
by rail

121. Unless otherwise specified, payment shall be made against railroad bill of lading or its acceptable equivalent and shall be in funds collectible at destination or other point designated by the buyer. Railroad bills of lading shall show the initials and numbers of cars and the number and marks of the bales therein and weights shown on bills of lading shall agree with invoice weights; provided that in any case where it is impractical to show car initials and numbers on the bill of lading this information shall be furnished to the buyer before the draft is paid.

Payment when  
cotton  
shipped by  
truck

122. Unless otherwise specified, if cotton is delivered by truck, the cotton shall be paid for upon compress delivery order or compress receipts, duly endorsed and acceptable to compress company for transfer to buyer, accompanied by certificate of a public or sworn weigher at destination. Where exceptions are noted on the weigher's certificate, the buyer may deduct from the invoice an approximate amount to cover said exceptions pending the final reweight settlement. Payment shall be made in funds collectible at destination or other point designated by the buyer.

Cost and Freight, or Cost, Insurance and Freight

Seller pays  
costs

123. When cotton is sold "cost and freight" or "cost, insurance and freight," the price agreed upon shall include freight to destination and delivery free of cost to the buyer at the place designated but the seller shall not be required to replace cotton that fails to arrive at destination.

Risk and  
insurance

124. (a) When cotton is sold "cost and freight," the risk of the seller shall terminate and the risk of the buyer shall attach upon the issuance of the bill of lading by the carrier.

(b) When cotton is sold "cost, insurance and freight," the seller shall accompany draft with certificate or other proof of insurance satisfactory to the buyer.

Shipside High Density Terms

Seller's  
obligation  
with respect  
to delivery

125. In all transactions made "shipside high density", the seller shall deliver high density cotton to the dock free of all charges, except wharfage, resampling, reweighing, and remarking ordered by the buyer; provided that in the event the cotton was last weighed more than ten days prior to date of delivery, the buyer may demand reweighing at the seller's expense.

Payment

126. Unless otherwise specified in the contract, payment shall be made in local funds of the port of delivery against ocean bill of lading. Unless the bill of lading can be obtained within 24 hours from the time the contract lot is completed on the pier, the seller shall have the right to demand payment upon delivery to the buyer of dock receipt. If, when the cotton is ready to be delivered to the dock, the steamship agent is unable or unwilling to accept the cotton on the pier on account of lack of space or for other reasons beyond the control of the seller, then buyer must immediately furnish new instructions to seller or pay against compress delivery order or compress receipt duly endorsed and acceptable to compress for transfer to the buyer; in which event,

all charges necessary to deliver the cotton at ship-side, including accrued warehouse and/or compress charges shall be paid by the seller or deducted from the invoice unless seller is willing to carry cotton at buyer's expense until delivery can be made at the pier. The buyer shall have the option of paying against compress delivery order or compress receipts as provided above.

Risk and  
insurance

127. Unless otherwise specified, the risk of the seller shall terminate and the risk of the buyer shall attach immediately upon issuance of steamship bill of lading or upon payment as otherwise provided in Rule 126.

Quantities and Weights

Seller's  
obligation  
as to  
weight

131. Unless otherwise specified, every contract shall contemplate the delivery of the actual number of bales specified, in the form of so-called "square" bales of an average gross weight of 525 pounds for cotton of Texas growth and 500 pounds for cotton from other states with an allowable variation of 1 percent either way. Any variation in excess of 1 percent shall be settled for at the difference between the contract price and the market value of the cotton at the time of delivery. When a contract is closed out without actual delivery

of the cotton, settlement shall be made on the basis of 525 pounds per bale for cotton of Texas growth and 500 pounds per bale for cotton from all other states.

Light weight bales

132. When the average gross weight of the bales in any lot of cotton delivered by a seller in fulfillment of a contract is 475 pounds or less, an adjustment in invoice weight to compensate the buyer for excess tare and additional costs shall be made according to the following schedule:

<u>Average gross weight of bales in lot</u>	<u>Deduction per bale</u>
451 to 475 pounds, inclusive	2 pounds
426 to 450 pounds, inclusive	3 pounds
401 to 425 pounds, inclusive	4 pounds
376 to 400 pounds, inclusive	5 pounds
351 to 375 pounds, inclusive	6 pounds
326 to 350 pounds, inclusive	7 pounds
301 to 325 pounds, inclusive	8 pounds

Any bale weighing less than 300 pounds gross or more than 650 pounds gross may be rejected at the discretion of the buyer

Package and Tare

Bagging

135. Upland cotton, when pressed or packed in square bales, shall be covered or wrapped with 6 linear yards of sound bagging, the weight of which shall not exceed 12 pounds. Bales shall not be covered with bagging that will stain or otherwise damage the cotton.

Ties                    136. (a) Each bale of uncompressed cotton shall be bound with 6 flat steel ties, 11-1/2 feet in length, weighing with the buckle, 1-1/2 pounds each.

                       (b) Each bale of standard compressed cotton shall be bound with 8 flat steel ties, 8-1/2 feet in length, weighing with the buckle, 1-1/8 pounds each.

                       (c) Each bale of cotton compressed to high density shall be bound with 9 flat steel ties, 7-1/2 feet in length, weighing with the buckle, 1 pound each.

Round bale  
tare                137. When pressed or packed in round bales upland cotton shall be covered with sound burlap or cotton bagging weighing not to exceed 1 percent of the gross weight of the bale.

Patches              138. Patching of compressed bales shall be according to the specifications of the contract.

Classification and Samples

Seller  
guarantees  
classification except  
as provided        141. Except when sold on actual samples, or when the buyer agrees to accept the cotton without classification, or when otherwise expressly agreed, the seller shall be understood to guarantee the classification of the cotton as described in the contract.

Sale on  
samples            142. When cotton is sold on actual samples, seller shall submit and guarantee samples to be from both sides of the bale.

143. Unless otherwise specified, when a sale is made in which the buyer agrees to accept cotton on original purchase samples, the seller shall furnish the buyer the samples properly couponed by the morning of the first business day following. The seller shall be responsible to the buyer for any loss sustained by reason of false or fraudulently packed cotton or for failure to deliver the actual bales represented by the samples.

144. If the buyer refuses to accept delivery of a lot or any portion of a lot of cotton, claiming it is not equal to purchase samples, the dispute shall be settled by a comparison of the redrawn samples with the purchase samples. Unless the sale is made in accordance with Rule 143, the buyer shall have the right to have redrawn samples sent him by the compress, warehouse or yard in which the cotton is stored, any expense of new samples to be paid by the party in error.

145. In all sales or deliveries made on actual samples, the samples shall be kept intact until the transaction is completed. If the cotton is invoiced on reweights, the samples shall, on demand of the seller, be returned to him or their weight paid for by the buyer at the invoice price of the cotton.

146. When cotton is sold on actual samples or delivered on seller's samples and redrawn samples are not equal to the samples on which the cotton was sold or delivered, the buyer shall promptly notify the seller and the buyer shall have the right to demand immediate replacement of bales not equal or, at the option of the seller, satisfactory settlement of the difference in quality and/or market at the time of delivery shall be made.

Sawfish  
class

147. When cotton is sold with a provision for examination by the buyer at the bale, the acceptance of cotton tendered by a seller shall take effect as each bale is tagged or branded by the buyer or his representative, in so far as weights and class are concerned; but the delivery shall not be deemed to have been completed until cotton is invoiced and negotiable documents have been surrendered to the buyer.

Sales on  
types

148. When cotton is bought on type, the seller, if requested, shall seal the type in the presence of the buyer or his representative or agent.

Delays and Defaults

Procedure in  
case of  
failure of  
seller to  
deliver

151. Unless otherwise agreed, in the event of failure of the seller to deliver according to the contract, the buyer may, subject to the limitations of Rule 155, immediately cancel the contract at the difference in the closing price of the futures market on the date when the purchase price was fixed and the date of cancellation, charging or crediting the seller with the difference in quality and/or market, and other losses properly incurred; or he may within 5 business days fill such purchases in the open market, charging or crediting the seller with the difference between the price paid by him in the open market and the original contract price, and other losses properly incurred by reason of failure of seller to deliver; and the contract shall thereupon be closed. In the event the buyer purchases in the open market, or cancels at the difference in the futures market, notice of intention to close or cancel shall be given by the buyer not later than the day prior to cancellation or open market purchase. If the buyer elects to buy in the open market, the seller may have a comparison made under regular arbitration procedure of authentic samples of cotton

purchased by the buyer under provisions of this rule and the description specified in the contract, and may claim credit from the buyer for any excess value in the cotton so purchased at current market differences.

Procedure in  
case of  
failure of  
buyer to  
receive and  
pay for  
cotton

152. Unless otherwise agreed, if the buyer, after being duly notified by the seller, shall fail to receive the cotton tendered him according to the terms of the contract, on or before the delivery date specified in the contract, then the seller shall notify the buyer, in writing, of his intention to resell the cotton, and shall extend the time for taking up the cotton 48 hours, Sundays and holidays excepted. At the expiration of 48 hours, if the cotton has not been taken up, then the seller must, within 3 business days thereafter, exercise his right to resell the cotton in the open market, and shall charge or credit the buyer with the difference between the price received by him in the open market and the original contract price, in addition to any expense or other losses properly incurred, and the contract shall thereupon be closed.

Partial  
default

153. Unless otherwise agreed, in the event the seller has fulfilled his contract only in part within the time fixed by the contract the buyer may elect to declare the seller in default on the entire amount of the contract or to accept that part of the cotton which has been delivered and to cancel the contract in so far as the part in default is concerned; provided, however, that if the buyer has resold or shipped any part of the cotton so delivered in partial fulfillment of the contract before being informed that the seller will not fulfill his obligation in its entirety, the buyer may, subject to the limitations of Rule 155, immediately close the contract as provided in Rule 151 and refer the matter to the arbitration board or committee having jurisdiction in the matter for a determination of the seller's liability to him for loss sustained.

Demurrage

154. Any charges accruing for demurrage shall be for the account of the party responsible for the delay.

Extenuating  
circum-  
stances

155. The seller shall not be held responsible for delay in making delivery caused by acts of God, fire, flood, war, riot, strikes, embargoes, congestion

at compress, car shortage or quarantine, which affect the cotton contracted for by him for filling his commitments; provided that the seller claiming delay due to such circumstances shall give notice to the buyer by the expiration of the delivery period, and within 2 business days from the end of such period shall send by registered mail, or deliver to the buyer an affidavit showing the cotton ready for shipment and positive reasons for the delay, in which case the date of delivery shall be extended 5 business days after the termination of the condition responsible for the delay and the seller shall not be in default until the expiration of that time.

Claims and Rejections

For Quality

When in  
order

181. When a contract for the sale of cotton is based on standard description, type, or actual samples, and the buyer has paid for the cotton before having had an opportunity to inspect it for quality, he may at his option reject any bales received that are below contract specifications for quality subject to the provisions of Rules 34 to 38, inclusive, or may claim on the seller for the market difference between the cotton of the quality received and the

quality specified in the contract, subject in either case to the privilege of the seller to demand an arbitration of the questions in dispute. If more than 50 percent of the cotton is below contract specifications, the entire lot may be rejected by the buyer.

Procedure

162. The buyer shall, within 10 business days from the date of receipt of the cotton or samples, notify the seller of his intention to reject any cotton or to make a claim for an adjustment in price. The seller shall notify the buyer, within 5 business days after receipt of the buyer's notice of intention to claim or reject for defective quality, of his desire to investigate the claim and shall, within 10 business days from the date of such notice, inspect the cotton or samples either personally or by his authorized representative, or make such examination of the buyer's claim as he may desire with a view to making a voluntary or friendly settlement or adjustment of the claim.

Procedure when  
tolerance  
allowed

163. When cotton is bought or sold under the provisions of rules 34 or 38, any claim for deficiency in grade and/or staple shall be accompanied by a

written statement by the buyer to the effect that there are not a sufficient number of bales above the grade and/or staple length specified to offset the bales for which claim is made.

Differences  
in grade  
and staple

164. Unless otherwise specified, claims for allowance on differences in grade or staple shall be based on the official differences existing in the designated spot market nearest to the place of delivery at the time of invoicing the cotton.

Costs of  
handling  
rejections

165. All necessary and usual costs incurred in handling cotton finally rejected shall be paid by the seller and if the rejected cotton is not replaced as provided in Rule 191, interest at the rate of 6 percent per annum may be charged the seller from the date of payment for the cotton to the date of reimbursement for the rejected cotton.

Instructions  
for the  
disposition  
of rejected  
cotton

166. Unless otherwise agreed, instructions for the disposition of rejected cotton shall be delivered to the buyer by the seller within 15 business days after notice of rejection, or in the case of arbitration, within 10 business days after the date of the arbitration or appeal award. In the event of the failure of the seller to give such instructions, the buyer may place the cotton in the nearest bonded

warehouse, providing insurance and notifying the seller, and may charge the expense thereof to the seller.

For Weight

When in  
order

167. Except in cases in which the contract obligates the buyer to accept gin, compress, public weigher, or other specified weights, claims by the buyer on the seller for loss in weight shall be in order if, on reweighing, by a party mutually satisfactory, the cotton shows a loss of weight from the invoice weight.

Procedure

168. Claims for loss in weight shall be mailed or delivered to the seller within 30 business days after receipt by the buyer of not less than 95 percent of the total number of bales covered by the invoice and shall be accompanied by a detailed list showing number as invoiced and receiving weight of each bale. Bales lost in transit shall be settled for at the invoice weight provided such bales can be identified by tag numbers; otherwise, the average invoice weight shall be used.

For Tare

When in  
order

169.- If the tare on cotton delivered in fulfillment of a contract exceeds the allowance

specified in Rules 135 to 138, inclusive, the buyer may claim on the seller for the weight of excess tare at the invoice price of the cotton.

Procedure

170. Notice of claims for excess tare shall be mailed or delivered to the seller by the buyer within 15 business days of the receipt of the cotton. If the seller wishes to make a test for tare he must, within 5 business days from receipt of such notice, advise the buyer of his intention to do so. Within 10 business days of receipt of such notice the seller or his representative and the buyer shall, unless otherwise agreed, designate 10 percent of the bales in the delivery or shipment to be tested as representative of the lot in question, and shall strip and weigh the bagging, ties, and patches from these bales. The tare on the bales tested shall be applied proportionately to the number of bales in the invoice; that is, the tare removed from the test bales shall be weighed; this weight shall be divided by the number of bales tested and the result multiplied by the number of bales in the invoice. The weight of tare on the lot of cotton as thus ascertained shall be compared with the tare allowance based on invoice weights or reweights, and

any excess in weight of actual tare over the tare allowance shall constitute the basis for a tare claim, which shall be presented to the seller within 40 business days from the date of the receipt of the cotton.

For Other Cause

When in  
order

171. (a) If the cotton received in fulfillment of a contract is found to be mixed-packed or to contain exterior or discernible damage, claim shall be filed within the time allowed for filing weight claims as provided in Rule 168.

(b) If cotton received in fulfillment of a contract is found to be false-packed, or to contain interior or concealed damage, the buyer may, within 12 months from the date of receipt of the cotton, make a claim on the seller for the inferior or damaged portion of the cotton.

(c) All claims for mixed-packed, false-packed or damaged cotton shall be accompanied by an affidavit or other satisfactory evidence.

Notice to  
seller

172. Immediately upon the discovery of mixed-packed, false-packed or damaged cotton or within the time limits specified in Rule 171, the buyer shall notify the seller of his intention to claim for such

cause. The seller shall have 10 business days from the date of receipt of such notice to inspect the cotton either personally or by his authorized representative, or make such other examination of the buyer's claim as he may desire with a view to making a voluntary and friendly settlement or adjustment of the claim.

Procedure in event of failure of seller to investigate

173. If the seller fails to investigate the buyer's claim, as provided in Rule 172, the buyer may reject the mixed-packed, false-packed or damaged bales or he may have the bales reconditioned, and claim on the seller for the weight of the cotton removed at the invoice price plus the cost of reconditioning and, if freight has been paid by the buyer, plus freight on the weight of cotton removed. The seller shall be entitled to the damaged cotton thus removed. Any actual expense properly incurred in handling rejected bales shall be for the account of the seller.

Arbitrations and Appeals

When in order

175. Should any disagreement arise in matters of quality, condition, weights, tare, or fulfillment of contracts and no satisfactory settlement be reached by the parties, the matter in dispute

may, within 10 business days after such disagreement, be referred by either party for adjustment to the arbitration committee or board, having jurisdiction at the place of delivery.

Statement of question at issue

176. Each of the parties shall within 3 business days of notice of arbitration file with the executive officer of the arbitration committee or board having jurisdiction a written statement of the question or questions to be arbitrated. Should either party fail to submit a statement as herein provided, the arbitration committee or board shall proceed with the arbitration ex parte.

Arbitration may include all or a part of lot

177. Either of the parties to a transaction in dispute may require arbitration of the entire lot, or the parties, by mutual agreement, may submit to arbitration only that part of the lot in dispute.

Integrity of types

178. If the arbitration involves a private type the buyer and seller shall agree on the integrity of the type submitted against which the arbitration is to be made. In the event of failure so to agree, each party shall submit a type with a written statement supporting his contentions and the arbitration committee or board having jurisdiction in questions other than

quality shall determine against which type the arbitration shall be made.

Integrity of samples

179. Unless otherwise agreed, the samples submitted to the arbitration committee or board must be freshly drawn from both sides of each bale in dispute by a disinterested party.

Parties to be notified of arbitration award

180. Both parties concerned in an arbitration shall be notified promptly in writing by the executive officer of the arbitration committee or board of the arbitration award.

Appeals

181. In disputes involving quality, should either party be dissatisfied with the award of the arbitration committee or board to which an arbitration is submitted, an appeal may, unless otherwise agreed, be taken, within 5 business days of the arbitration award, by either party to the Appeal Board of Review Examiners, Bureau of Agricultural Economics, Washington, D. C., whose decision as to the classification or comparison of the cotton shall be final.

Guarantee of cost of arbitration

182. The party requesting arbitration or appeal shall, if required by the arbitration or appeal committee or board concerned, accompany his request with a certified check covering the expense of such arbitration or appeal.

Costs to be pro-rated on outturn

183. In quality arbitrations and appeals the buyer shall pay the fees on all bales passed as being equal to the contract description, and the seller shall pay the fees on all bales not passed as being equal to the contract description, and any costs incurred for resampling shall also be apportioned on the same basis.

Payment of costs of arbitration other than quality to be decided in advance

184. In all arbitrations involving questions other than quality, the principals shall decide in advance who shall pay the fees, failing in which the arbitration committee or board officiating shall decide which party shall pay the fees.

Procedure while arbitration or appeal pending

185. The seller shall not have the right to delay shipment of cotton involved in arbitration or appeal beyond the delivery date of the contract. Pending the arbitration or appeal award the buyer may at his option:

(a) Make any disposition of the cotton

he wishes and pay the seller for the same in the usual manner upon the basis of the qualities and weights, and at the value claimed by the buyer under the terms of the contract, and shall at the same time, unless other-

wise agreed, send the seller a certified check made payable to the arbitration committee or board to which the arbitration has been submitted for the amount of differences plus the cost of arbitration: or

- (b) Make such disposition of the cotton as he wishes and pay the amount claimed by the seller under the terms of the contract, and unless otherwise agreed, receive in exchange from the seller a certified check made payable to the arbitration committee or board to which the arbitration has been submitted for the amount of the difference in dispute plus the cost of arbitration.

The award of the arbitration committee or board shall be paid by such committee or board to the rightful disputant out of the funds so deposited, and any balance remaining shall be refunded to the depositor. In the event an appeal is taken to the Appeal Board of Review Examiners, as provided in Rule 181, the committee or board with whom the check was deposited shall retain such deposit until the appeal award has been made

after which the funds so deposited shall be paid in accordance with the appeal award and any balance shall be refunded to the depositor.

Procedure when cotton sold on buyer's class

186. When cotton is shipped or delivered to the buyer and sold on buyer's class, the buyer shall hold the actual cotton not less than 3 business days and shall retain the samples 7 business days after rendering seller outturn on each completed lot. If the seller is dissatisfied with the buyer's class, he must within 7 business days from the date of rendition of outturn instruct the buyer to submit the samples held by the buyer to the arbitration board having jurisdiction at the place of delivery, in which event settlement shall be based on the class of the arbitration board. Otherwise, the buyer's class shall be final.

No replacement of cotton shipped while arbitration pending

187. If the buyer elects to ship the cotton pending arbitration or appeal he may not thereafter require replacement of any bales found by the arbitration committee or board to be not equal to the contract specification.

Replacements

When replacement shall be made

191. If the cotton is rejected by the buyer because of its not conforming to the terms of the

contract and the rejection is upheld on arbitration or appeal, the seller shall have the right to replace and the purchaser may require replacement. Such replacement shall be made within 14 business days after notice of rejection, or, in the case of arbitration or appeal, within 7 business days after the date of the arbitration or appeal award.

Where cotton of various grades has been sold at an average price and the rejections are above the average of the lot, the seller shall make good to the buyer the difference in value between the rejected bales and the average of the lot, and if the rejections are below the average of the lot, the buyer shall in like manner make good the difference in value to the seller, all such differences to be determined by the samples of the seller or the description on which the cotton was sold.

Weight of  
replacements

192. Unless otherwise agreed, replacement shall be made of the same weight as the cotton rejected within 5 percent, except in cases where the rejections exceed 50 bales when the replacement shall be within 2 percent.

Procedure in  
the event  
of failure  
to replace

- 45 -

193. If a replacement is not made within 14 business days after notice of rejection, or in the case of arbitration or appeal within 7 business days after the date of arbitration or appeal award or if a replacement does not conform to the terms of the contract, the buyer may cancel the contract to the extent of such rejections, or may replace the rejected cotton at the market price, and in either case the market difference shall be adjusted between the buyer and the seller with liquidated damages of one-fourth cent per pound to the buyer. If the buyer replaces the cotton rejected by purchase in the open market, the seller shall have the privilege of comparison, under regular arbitration procedure, of authentic samples of the cotton purchased by the buyer under the provisions of this Rule, and the description, type or types or actual samples specified in the original contract.

SUPPLEMENTAL RULES

PART I-A -- ADDITIONAL RULES APPLYING SPECIALLY  
TO GUARANTEED THROUGH SALES

Rules applicable  
for domestic  
destinations

101-A. (a) When cotton is sold "guaranteed through" for delivery within the United States, the contract shall be subject to the rules applying to shippers' sales to mills, if shipment is to a domestic mill, or to the rules applying to interior and port transactions if otherwise destined and also to such of the following rules as are not in conflict therewith.

Rules applicable  
for foreign  
destinations

(b) When shipment is to a foreign destination, the contract shall be subject to the rules and terms in effect at destination and also to such of the following rules as are not in conflict therewith.

Limits of  
guarantee

102-A. Unless otherwise specified, the guarantee of the seller in a "guaranteed through" transaction shall not be construed to extend beyond a guarantee of weight, quality, condition, tare and time of shipment.

Number of bales  
in a contract  
or shipment

103-A. Unless otherwise specified, each 100 bales shall constitute a separate contract. Shipments shall be in lots of 50 or 100 bales of the same grade and staple. Each lot shall be under one

invoice and one bill of lading. The buyer shall not be obligated to pay a draft against any uncompleted mark.

Guarantee not changed because of necessity for recompressing

104-A. When cotton is recompressed for the purpose of obtaining required density, the guarantee attaching to the cotton shall be in nowise released or changed and all charges incident thereto shall be paid by the seller.

Shipping instructions

105-A. The buyer shall, on demand, furnish the seller shipping instructions not later than the first day of the period of "shipment" or "sailing" specified in the contract. In the event of the buyer's failure so to furnish shipping instructions, the seller shall have the right to charge the buyer with costs of carrying the cotton from the day following until the day such instructions are received, both days included. If the seller has not received shipping instructions by the end of the period for shipment or sailing specified in the contract, the seller shall have the privilege, after giving the buyer 24 hours' telegraphic or equivalent written notice, to resell the cotton in the open market and to charge or credit the buyer with the

difference received in the open market and the original contract price, together with all carrying charges and other losses incurred.

Shipping  
marks

106-A. Written notice shall be given the buyer of any change in seller's shipping marks, and no reclamation shall be allowed on any new mark unless such notice has been given to seller or his representative before the cotton is shipped. The buyer shall have the right to remove all head-brands or private brands, and to substitute other head-brands.

Examination  
by the  
buyer

107-A. Unless otherwise agreed, the seller shall, if requested not later than 2 business days prior to shipment, furnish the buyer couponed samples from the bales involved in a "guaranteed through" transaction and may invoice the weight of such samples to the buyer at the price stated in the contract. If the seller, to comply with the buyer's request, is obliged to resample the cotton, the cost of such resampling shall also be paid by the buyer.

Time for pre-  
sentation  
of claims

108-A. Claims for quality, excess tare, or loss in weight on "guaranteed through" cotton, shall be presented to the seller, within the time limit as stipulated in the rules applicable to the trans-

action, but to enable the buyer to obtain the necessary papers, an additional 30 days shall be allowed for filing claims with the seller and in the case of cotton going to the Orient, the additional time allowed shall be 45 days.

Seller representation at destination

109-A. The seller shall have the right to appoint a controller at destination to supervise, on his behalf, the weighing, sampling, and inspection for damage or excess tare. In the event the seller does not appoint a controller by the date of shipment, the buyer shall name a controller to act for the seller's account. All claims shall be accompanied by such controller's certificate or certificates.

Deduction for claims

110-A. (a) In claims for quality, on "guaranteed through" cotton, 6 percent shall be deducted from the gross invoice weight when the cotton has been shipped on C.F. and 6 percent, or C.I.F. and 6 percent terms, but not otherwise.

(b) In case of arbitration allowance, claim shall be based on receiving weight less deductions for tare, if any.

Additions to  
claims for  
loss in  
weight

111-A. Unless otherwise specified, when the loss in weight exceeds 1 percent, the buyer shall claim on the seller for the freight, wharfage and insurance on the loss in weight for which the buyer has a claim under the contract.

Payment

112-A. Unless otherwise specified, payment shall be made against bill of lading or its acceptable equivalent and shall be in funds collectible at the point where the buyer's principal office for the territory is located.

Risk and  
insurance

113-A. Unless otherwise specified, the risk of the seller shall terminate and the risk of the buyer shall attach upon the issuance of the bill of lading by the initial carrier.

SUPPLEMENTAL RULES

PART I-B -- ADDITIONAL RULES APPLYING ONLY TO  
SALES THROUGH SPOT BROKERS UNDER  
PARTS I AND I-A OF SUPPLEMENTAL RULES

Rules applicable

101-B. Transactions through Spot Brokers shall be subject in all respects not covered herein to the General Rules and Parts I and I-A of Special Rules governing Interior and Port Sales.

Integrity of samples guaranteed

102-B. The integrity of samples displayed shall be guaranteed by the broker. Samples shall not be dressed and shall be shown with the lower side uppermost.

Right to have redrawn samples

103-B. The buyer shall have the right to demand that redrawn samples be sent to him directly from the compress, warehouse or yard, the cost of resampling to be borne by the buyer. The original sale samples shall be sealed and held by the broker until arrival of the redrawn samples. If the redrawn samples do not prove equal to the original samples, the seller shall make good any loss to the buyer.

Sales on actual samples

104-B. Where cotton is sold on actual samples the broker shall, if requested by the buyer, issue resampling instructions as soon as possible but within 24 hours from the time of sale, and after

receipt of the redrawn samples, the shipper shall be allowed 48 hours in which to class the cotton and issue his shipping instructions. In case, however, a buyer is in urgent need of the cotton, he shall be allowed to ship it on the original samples, but if it is found upon arrival of resamples, which shall be drawn by a disinterested party before shipment, that the cotton is not equal to original samples, the seller shall be responsible to the buyer for the difference in quality.

Sales subject  
to approval

105-B. When cotton is sold "subject to approval by buyer, if not approved, then no trade," it shall be necessary for the buyer to approve 90 percent in order to consummate delivery; otherwise the seller shall have the privilege to cancel the entire lot, in which case no commission shall be due the broker.

SUPPLEMENTAL RULES

PART II -- ADDITIONAL RULES APPLYING SPECIALLY  
TO SHIPPERS' SALES TO MILLS

Shipment and Delivery

Time allowed  
seller to  
ship or  
deliver

201. Unless otherwise specified, cotton shall be actually shipped and bill of lading or its acceptable equivalent issued therefor within the period allowed by the contract; provided that the seller shall not be held responsible for delay in making shipment caused by acts of God, fire, flood, war, riot, strikes, embargoes, congestion at compress, car shortage or quarantine which affect the cotton contracted for by him for filling his commitments.

Units of  
shipment

202. On contracts of less than 100 bales the seller may make shipments of five, ten or twenty-five bale lots, but on contracts of 100 bales or more, shipments shall be made in lots of not less than 50 bales, each lot to be under one invoice and one bill of lading.

Car initials and  
number to  
show on bills  
of lading

203. When shipments originate by rail, bill of lading shall show car initials and numbers and the number and marks of the bales therein; and weights shown on bills of lading shall agree with invoice weights. In any case where it is impracticable to show car initials and numbers at the time the bill

of lading is issued, information concerning such initials and numbers shall be furnished the buyer before the draft is paid.

Time allowed  
buyer to  
receive  
and pay

204. Unless otherwise specified, the seller shall draw at sight on buyer with bill of lading or its acceptable equivalent attached to draft for the purchase price of the cotton described in the invoice, drafts to be without exchange or collection charges; provided that in cases where the buyer elects to specify some particular bank through which drafts on him are to be drawn, the buyer shall be held liable for any loss or expense the seller may sustain by routing drafts through such bank.

Delays and Defaults

Procedure in  
event of  
failure of  
seller to  
ship or  
deliver

211. When the time of shipment or delivery specified in the contract has expired and the cotton contracted for has not been shipped or delivered, the buyer may, after due notice to the seller, cancel the contract for the cotton in default or may buy in the open market cotton of equal quality for immediate delivery, the market difference to be adjusted between the buyer and seller, with one-fourth cent per pound assessed against the seller as liquidated damages; provided, however, that when the seller claims that delay is due to causes mentioned in Rule 201, the

seller shall give notice to the buyer by the expiration of the shipment or delivery period, and within 2 business days after the end of such period shall mail by registered mail, or deliver to the buyer, an affidavit showing cotton ready for shipment and positive reasons for the delay, in which case the date of shipment or delivery shall be extended 10 business days from the termination of the condition responsible for the delay and the seller shall not be in default nor liquidated damages accrue until the expiration of that time. If such affidavit is not furnished within 5 business days the buyer may cancel the contract for the cotton in default or may buy in the open market cotton of equal quality for immediate delivery, the market difference to be adjusted between the buyer and seller, with one-fourth cent per pound assessed against the seller as liquidated damages. If the buyer buys in the open market, the seller may, upon request, have a comparison made, under the regular arbitration procedure, of authentic samples of the cotton purchased by the buyer, under the provisions of this Rule, and the description, type or types or actual samples specified in the original contract.

Procedure in  
event of  
failure of  
buyer to  
receive  
and pay

212. In the event of failure of the buyer to pay for and receive cotton as provided for under Rule 204, the seller may after due notice to the buyer dispose of the cotton in the open market for the account of the buyer with one-fourth cent per pound liquidated damages to the seller.

Demurrage

213. Any charges accruing for demurrage shall be for the account of the party responsible for the delay.

Quantities and Weights

Seller's  
obligation  
as to  
weight

221. Unless otherwise agreed and except when cotton is sold on actual samples, every contract calling for fifty bales of cotton or more shall contemplate the delivery of square bales of an average gross weight of 500 pounds, with an allowable variation of 2 percent either way if the contract is for less than 100 bales, or a variation of 1 percent either way if the contract is for 100 bales or more. If necessary to bring the actual weight of cotton delivered within the total weight of the contract thus calculated, the seller shall deliver more or less bales than the number stated in the contract, as the case may require. When cotton is sold on actual samples or when the contract calls for less than 50 bales, the contract shall be

understood to require the delivery of the actual number of running bales stated, whatever their actual weight may be.

Weights to  
be used

222. Subject to the following conditions the seller shall guarantee the invoice weights:

Unless received in a damp or damaged condition all cotton, within 72 hours after its arrival at destination, Sundays or legal holidays from midnight to midnight not included, shall be weighed by the buyer. For each day's delay in weighing after 72 hours, there shall be an allowance to the seller of one-fourth pound per bale. Weights shall be ascertained before any samples have been drawn and/or bands removed. The scales on which the cotton is weighed shall have been tested, within 30 days, by the public authority charged with responsibility for weights and measures, and the return of arrival weights shall, when request is made therefor, be attested under oath, unless signed by a sworn weigher or by a bonded weigher responsible to an agency of the public. The buyer shall, within 24 hours after weighing cotton on arrival, notify the seller by mail or telegraph of any gain or loss from the invoice

weight, and settlement shall be made by the parties for such gain or loss, as the case may be. Weight returns shall show the number and mark as invoiced and receiving weight of each individual bale without any deduction for dampness, extra bands or other cause.

Weighing wet cotton. 223. When cotton is received by the buyer in or damaged cotton in wet or damaged condition it shall be weighed immediately and the seller and transportation company notified in writing of its condition. The cotton shall be received for by the buyer to the transportation company under protest, and the seller shall be notified immediately of such protest. Such cotton shall be held until in a suitable condition for reweighing, giving the seller an opportunity to investigate. By mutual agreement a controller may be called in to make an examination in such cases and arrive at a settlement with the buyer if possible, but the buyer shall not be required to hold the cotton for a period longer than 10 days after notification to the seller.

Seller's right to reweigh. 224. In case the buyer's receiving weights show a loss from the invoice weight exceeding 2 pounds per bale, the cotton shall be held and the seller given an

opportunity to reweigh if he desires, but the purchaser shall not be required to hold the cotton for the purpose of reweighing for a longer period than 10 business days after such notification. If the cotton is held in a heated warehouse, proper allowance shall be made for extra shrinkage.

Notification of  
desire to  
reweigh

225. If the seller desires to reweigh, he must notify the purchaser, within 5 business days from the date of receipt of the buyer's weight return, of his desire to reweigh. If the buyer can not furnish immediate access to the cotton, he shall be allowed 10 business days from the date of said notice to put the cotton in position for reweighing. If at the end of 10 business days the purchaser is still unable to afford access to the cotton he shall allow the seller one-fourth pound per bale for each day thereafter until the cotton is accessible for reweighing.

When settlement  
shall be based  
on reweights

226. If on reweighing, the reweights agree with the original receiving weights, within 1 pound per bale, settlement shall be made on the reweights and the seller shall pay the cost of reweighing and also the charge for handling. If the reweights show a gain between 1 pound and 2 pounds per bale over the

original receiving weights, settlement shall be made on the reweights, the seller paying the cost of reweighing and the purchaser making no charge for handling. If the reweights show a gain of more than 2 pounds per bale over the original receiving weights, settlement shall be made on the reweights and the purchaser shall pay the cost of reweighing and shall make no charge for handling.

Claims and Rejections

For Quality

When in order  
in case of  
a sale on  
standard  
descriptions

231. When sale is based on standard description and less than 50 percent of the cotton received in fulfillment of a contract is below contract specifications for quality, the buyer may, at his option, reject the cotton found on arrival to be below contract specifications or may claim on the seller for the market difference between the cotton of the quality received and of the quality specified in the contract, subject in either case to the privilege of the seller to demand arbitration. If more than 50 percent of the cotton is below contract specifications, the entire lot may be rejected by the buyer, except that where long staple cotton is involved the buyer shall accept any cotton conforming to the terms of the contract,

When in order in  
case of a sale  
on types or  
actual samples

232. When cotton is bought on type or actual sample, the buyer may reject any bale not equal to the specified type or sample, subject to the privilege of the seller to demand arbitration.

Buyer's notice of  
deficiency

233. The buyer shall, within 10 business days from the date of receipt of the cotton, notify the seller of the nature and extent of the deficiency and of his intention to reject the cotton or to make a claim for an adjustment in price.

Procedure when  
tolerance  
allowed

234. When cotton is bought or sold under the provisions of Rules 34 or 38, any claim for deficiency in grade and/or staple shall be accompanied by a written statement by the buyer to the effect that there are not a sufficient number of bales above the grade and/or staple length specified to offset the bales for which claim is made.

Seller's notice  
of desire to  
investigate

235. The seller shall notify the buyer, within 5 business days of receipt of the buyer's notice of intention to claim or reject for defective quality, of his desire to investigate the claim and shall, within 10 business days from the date of such notice, either personally or by his authorized representative, inspect the cotton or make such examination of the buyer's claim as he may desire, with a view of making

a voluntary and friendly settlement or adjustment of the claim.

Allowances of market differences

236. Unless otherwise agreed, claims for allowance on differences in grade or staple shall be based on the differences existing at the time of arrival of the cotton.

Cost of handling rejections

237. The cost of handling cotton finally rejected shall be paid by the seller. Interest at the rate of 6 percent per annum may be charged the seller from the date of payment for the cotton to the date of reimbursement for the rejected cotton. In the adjustment of market differences between buyer and seller for rejections, liquidated damages of one-fourth cent per pound shall be assessed against the seller.

Shipping instructions on rejected cotton

238. Unless otherwise agreed between the buyer and the seller, shipping and reimbursement instructions on rejected cotton shall be delivered to the buyer by the seller within 15 business days after notice of rejection, or, in the case of arbitrations, within 10 business days after the date of the arbitration or appeal award. In the event of failure of the seller to give such instructions the buyer may place the cotton in the nearest bonded

warehouse, providing insurance and notifying the seller, and may charge the expense thereof to the seller.

For Weight

When in  
order

241. A claim by the buyer on the seller for loss in weight shall be in order when the arrival weight is less than the invoice weight or when the reweight shows a loss from the invoice weight.

Procedure

242. Claims for loss in weight shall be mailed or delivered to the seller within 15 business days after receipt by the buyer of not less than 95 percent of the total number of bales covered by the invoice. For bales lost in transit, the invoice weight shall be used provided such bales can be identified by tag numbers, otherwise the average invoice weight shall be used. Claims shall be accompanied by the buyer's certificate as follows:

Form of Weight Return:

.....19...

This is to certify that ..... B/C marked ..... invoiced to ..... were weighed promptly (within 72 hours) after arrival and before any samples or bands were removed from any of the bales by us; also that the individual weights of the bales as shown on the attached detailed weight lists are the gross weights of each bale and that the scale on which they were weighed was last tested on

.....19.....by .....

.....  
By .....

For Tare

When in  
order

251. Unless otherwise specified, if the tare exceeds 4.4 percent of the gross weight of the shipment for uncompressed bales, or 4.8 percent for compressed bales, the buyer may claim on the seller for the weight of excess tare at the invoice price of the cotton.

Procedure

252. Notice of claim for excess tare shall be mailed or delivered to the seller by the buyer within 20 business days from the date of receipt of the cotton at the place where same is to be used, but in no case later than 3 months after delivery of the cotton by the seller. If the seller wishes to make a test of tare he must, within 5 business days of the receipt of such notice advise the buyer in writing of his intention to do so. Within 10 business days of the receipt of such notice the seller or his representative and the buyer shall, unless otherwise agreed, designate 10 percent of the bales in the delivery or shipment to be tested as representative of the lot of cotton in question, and shall strip and weigh the bagging, ties, and patches from these bales. The tare of the bales tested shall be applied proportionately to the number of bales in

the invoice, that is, the tare removed from the test bales shall be weighed; this weight shall be divided by the number of bales tested and the result multiplied by the number of bales in the invoice. The weight of tare on the shipment as thus ascertained shall be compared with the tare allowance based on destination weights, and any excess in the weight of actual tare over the tare allowance shall constitute the basis for a tare claim, which shall be presented to the seller within 6 months from the date of receipt of the cotton in the case of short staple cotton, and within 9 months from the date of receipt of the cotton when long staple cotton is involved. Claims for excess tare shall be entirely independent of adjustments for gains or losses in weight.

For Other Cause

When in  
order

261. (a) If cotton received in fulfillment of a contract is found to be mixed-packed or to contain exterior or discernible damage, claim shall be filed within the time limit allowed for filing weight claims as provided in Rule 242.

(b) If upon opening at the mill, any bale received in fulfillment of a contract is found to be water-packed, false-packed, or to be damaged in its interior, the buyer may, within 9 months from the

date of arrival of the cotton; make a claim on the seller for the inferior or damaged portion of the bale.

(c) All claims for mixed-packed, false-packed or damaged cotton shall be accompanied by an affidavit or other satisfactory evidence.

### **Procedure**

262. Within 24 hours after discovery of inferior cotton, as enumerated in Rule 261, the buyer shall notify the seller by mail or telegram of his intention to claim for such cotton. The seller shall have 10 business days from the date of receipt of such notice to inspect the cotton, either personally or by his authorized representative, or make such other examination of the buyer's claim as he may desire with a view of making a voluntary and friendly settlement or adjustment of the claim. If the seller fails to investigate the buyer's claim, the buyer shall use the portion of the bale that is not defective; if possible, he shall also use the defective portion at an allowance, otherwise he shall hold same, with all identification tags, for the account of the seller and shall claim on the seller for the invoice price of the cotton accompanying his claim with a sworn statement as to the condition of the cotton.

Arbitrations and Appeals

When in  
order

271. Should disagreement arise between the buyer and the seller in matters of quality, condition, weights, tare, or fulfillment of contracts, and no satisfactory settlement be arrived at by mutual agreement, then the matter in dispute may be submitted by either party to the contract, for arbitration.

Procedure in  
arbitrations  
for quality

272. If the dispute has to do with quality it may, unless otherwise specified, be submitted by either party to:

(a) The Cotton States Arbitration Board, if the place of delivery specified in the contract is located in a cotton-producing State.

(b) The New England Classification Committee, if the place of delivery specified in the contract is located in a non-cotton-producing State.

Identity of  
parties to  
be withheld

273. The names of the parties at interest shall not appear nor shall any identification marks, other than tag numbers, be on the cotton when it is submitted to the classifiers for classification or comparison.

Integrity of  
types

274. If the arbitration involves a private type the buyer and seller shall agree on the integrity of the type submitted against which the arbitration

is to be made. In the event of failure so to agree, each party shall submit a type with a written statement supporting his contentions and the arbitration committee or board having jurisdiction in questions other than quality shall determine against which type the arbitration shall be made.

Sales involving  
approval of  
samples before  
shipment

275. When a contract for the sale of cotton provides for the submission of samples by the seller and the approval of the samples by the buyer prior to shipment of the cotton and the buyer does not approve, within 5 business days, the samples submitted by the seller, the seller may demand arbitration. In such case the samples submitted for arbitration shall be prepared in the presence of both buyer and seller, or their representatives. If the samples are passed by the arbitration committee or board, such samples shall be held and the buyer may have new samples drawn on arrival of the cotton and submitted for comparison with the samples originally passed.

Appeals

276. Should either party be dissatisfied with the award of the arbitration committee or board to which an arbitration is submitted, an appeal may, unless otherwise specified, be taken within 15 business days of the arbitration award, by either party to the

Appeal Board of Review Examiners, Bureau of Agricultural Economics, Washington, D. C., whose decision as to the classification or comparison of the cotton shall be final.

Arbitrations other than for quality

277. If the dispute has to do with matters other than quality, it may, unless otherwise specified, be submitted by either party to:

(a) The Southeastern Appeal Board, if the place of delivery specified in the contract is located in a cotton-producing State.

(b) The New England Board of Appeals, if the place of delivery specified in the contract is located in a non-cotton-producing State.

Statement of question at issue

278. It shall be obligatory on the part of the other party to consent to the arbitration, and should such party fail to submit a statement of his case within 15 business days, then the board to which the case has been submitted shall proceed with the arbitration *ex parte*. Decisions of the Southeastern Appeal Board or the New England Board of Appeals shall be final.

Costs of arbitration and appeal

279. The expense for arbitrations or appeals shall be distributed as follows:

- (a) In quality arbitrations and/or appeals the buyer shall pay the fees on all bales passed as being equal to the contract, and the seller shall pay the fees on all bales not passed as being equal to the contract, and any cost incurred for resampling shall also be apportioned on the same basis. On each bale in dispute both as to grade and staple and with respect to which the buyer's and seller's contentions are both sustained in part, the fees shall be equally divided between buyer and seller.
- (b) In all arbitrations involving questions other than quality, the principals shall decide in advance who shall pay the fees, failing in which the Southeastern Appeal Board or the New England Board of Appeals, as the case may be, shall decide which party shall pay the fees.
- (c) The procedure of payment shall conform to the requirements of the arbitration or appeal board involved.

Replacements

When replacement  
shall be made

281. If the cotton is rejected by the buyer because of its not conforming to the terms of the contract and the rejection is upheld on arbitration or appeal, the seller shall have the right to replace and the purchaser may require replacement. Such replacement shall be made within 20 business days after notice of rejection, or, in the case of arbitration or appeal within 15 business days after the date of the arbitration or appeal award.

Weight of  
replacement

282. Unless otherwise agreed, replacement shall be made of the same weight as the cotton rejected within 5 percent, except in cases where the rejections exceed 50 bales when the replacement shall be within 2 percent.

Adjustments on  
rejections  
when sale is  
on average  
price

283. Where cotton of various grades has been sold at an average price and the rejections are above the average of the lot, the seller shall make good to the buyer the difference in value between the rejected bales and the average of the lot, and if the rejections are below the average of the lot, the buyer shall in like manner make good the difference in value to the seller, all such differences to be determined by the samples of the seller or the description on which the cotton was sold.

Procedure in the event of failure to replace

284. If a replacement is not made within 20 business days after notice of rejection, or in the case of arbitration or appeal within 15 business days after the date of arbitration or appeal award, or if a replacement is rejected, the buyer may cancel the contract to the extent of such rejections, or may replace the rejected cotton at the market price, and in either case the market difference shall be adjusted between the buyer and the seller with liquidated damages of one-fourth cent per pound to the buyer. If the buyer replaces the cotton rejected by purchase in the open market, the seller shall have the privilege of comparison as provided in Rule 211.

Expense of replacement

285. Actual expenses properly incurred by reason of the necessity of replacement shall be borne by the seller; provided, however, that such expenses shall not exceed \$1.00 per bale, exclusive of interest and charges for arbitration.

Risk and Insurance

Cotton sold landed

291. When the contract specifies that the cotton shall be landed, the price agreed upon shall include freight to destination and delivery free of cost to the buyer at the place designated. The risk

of the seller shall terminate and the risk of the buyer shall attach upon the arrival of the cotton at destination. The seller shall guarantee actual delivery of the cotton at destination and shall accompany draft with certificate or other proof of insurance satisfactory to the buyer. Cotton lost or destroyed in transit shall, at the option of the buyer, be replaced with like cotton which shall be shipped within 15 business days from the date of notice of such loss or destruction.

Cotton not  
sold landed

292. (a) Unless the contract specifies that the cotton shall be landed at destination, the cotton shall be at the risk of the buyer from the time of the issuance of the bill of lading. The buyer shall pay all drafts against bill of lading covering such cotton even though lost or destroyed while in transit and the seller shall not be obligated to replace such cotton.

(b) Transit insurance shall be paid by the purchaser when the seller ships either all-rail, or rail and water, and uses only recognized, regularly established water routes; provided, however, that the seller shall pay any excess over the all-rail insurance rate.

(c) The shipper shall furnish information and assistance, when requested, for tracing and identifying lost cotton and for collecting insurance or damages in case of loss or damage.

SUPPLEMENTAL RULES

PART III-A -- ADDITIONAL RULES APPLYING ONLY TO  
SALES THROUGH MILL BROKERS UNDER  
PART II OF SUPPLEMENTAL RULES

Buyers' and  
sellers'  
names to be  
mutually  
approved

201-A. A contract of sale shall not be deemed binding until buyers' and sellers' names have been mutually approved. In case the seller and/or buyer does not accept the name of the other party, it may be agreed between the dissenting party and the broker, that the broker will guarantee said dissenting party against loss from insolvency of the other party in which event the broker shall so state in his confirmation.

Broker's  
responsi-  
bility to  
his  
principals

202-A. Brokers shall assume responsibility for their errors. When trading they shall keep parties to the contract duly informed of all conditions and terms affecting the transaction and they shall be responsible for any misrepresentation which they shall make to either the buyer or the seller.

Confirmation  
of sales

203-A. All telegraphic and telephone sales shall be confirmed immediately by letter.

When commission  
is allowed

204-A. Brokers may, unless otherwise specified, charge a commission:

- (a) On all sales they negotiate to completion.
- (b) If they initiate a trade between buyers and sellers, even though the final consummation of

the transaction is negotiated direct between the contracting parties, but only if the sale is made within 5 business days of advice of initiation and the broker has disclosed to one of the parties the name of the other party.

(c) On the bales that are accepted on sales made subject to approval of the cotton.

(d) On follow-on business within 10 business days of original trades, even though negotiated direct between the seller and the buyer.

(e) If any cotton is sold to mills assigned exclusively to him although negotiated through another broker.

If a trade is cancelled between original buyer and seller for any reason whatsoever, with the assistance of the original broker, the broker shall be entitled to full commission from the original seller and furthermore, to one-half the commission from the original buyer, in remuneration for his services in accomplishing cancellation. If, however, cancellation is effected direct between buyer and seller, without the assistance of the original broker, said broker shall be entitled to his original commission from the seller.

When commission  
is not allowed

- 77 -

205-A. No commission shall be due:

- (a) If the transaction is not filled on account of a mistake of the broker.
- (b) Should the buyer default on the contract.
- (c) To a broker who originally offers cotton for a seller if the subsequent sale is negotiated through another broker except as provided in Rule 204-A.

APPENDIX I -- DEFINITIONS

A. Terms Descriptive of Quality

1. "Cotton"

Ginned and baled cotton of any growth, not including linters.

2. "Upland Cotton"

Any cotton grown in the continental United States except American-Egyptian and Sea Island cotton.

3. "Unmerchantable Cotton"

Cotton of any of the following categories, unless bought as such or on actual samples shall be deemed to be unmerchantable cotton: Belly cotton; gin cut cotton; re-ginned cotton; smoky or oily cotton; plated or mixed-packed bales; bales below Good Ordinary in grade or shorter than 7/8 inch in staple, United States official standard classification; re-baled cotton; fraudulently or false-packed cotton; cotton of perished staple; scorched, damaged, water-packed, seedy, sandy, burry and dusty cotton; bales not in proper order for immediate shipment; bales from any quarantined area, unless fumigated and cleared for shipment; cotton covered with ties or patches other than specified in these rules; or cotton originally baled in a gin press box of dimensions greater than 27 x 54 inches and bales weighing under 300 pounds or more than 650 pounds.

4. "Merchantable Cotton"

Any cotton not herein defined as unmerchantable.

5. "Staple"

The normal length by measurement of a typical portion of the fibers of any cotton.

6. "Short Staple"

Any length of staple shorter than 1-1/8 inches, according to United States official standards.

7. "Long Staple"

Any length of staple 1-1/8 inches and longer, according to United States official standards.

8. "Any Growth"

Upland Cotton produced anywhere in the continental United States.

9. "Western Growth"

Upland Cotton produced in any state west of the Mississippi River and east of the western boundaries of the States of Oklahoma and Texas but excluding the irrigated areas of Texas.

10. "Eastern Growth"

Upland Cotton produced in the States touching the Atlantic Ocean, Alabama and that part of Tennessee lying east of a line drawn north and south through Nashville.

11. "Atlantic Growth"

Upland Cotton produced in any state touching the Atlantic Ocean.

12. "Memphis or New Orleans Territory"

The states touching the Mississippi River, excepting that part of Tennessee lying east of a line drawn north and south through Nashville.

13. "Mississippi Delta Growth"

Upland Cotton actually grown in the State of Mississippi in the alluvial area known as the Yazoo-Mississippi Delta, between the Mississippi-Tennessee line on the North and the confluence of the Yazoo and Mississippi Rivers on the South, and between the Mississippi River on the West and a line of bluffs defining the limits of the alluvial area on the East.

14. "Delta Growth"

Upland Cotton actually grown on the lands described as Mississippi Bottoms, whether in the States of Mississippi, Tennessee, Missouri, Arkansas, or Louisiana, in the map of the United States Soil Survey shown as Figure 12, of Section A, Atlas of American Agriculture.

15. "Growth of a Designated State"

Upland Cotton actually grown within the State designated.

16. "Irrigated Cotton"

Any cotton produced by means of irrigation.

17. "Average Receipts"

Gin-run cotton as received at any given point at any given time, not selected for grade and staple but not including unmerchantable cotton.

18. "Bolly Cotton"

Cotton ginned from bolls, any considerable part of which has been arrested in their development by frost or other causes, and which have been hand-pulled unopened or partially opened from the plants and subjected to a hulling or threshing process for the purpose of extracting the burrs preparatory to the ginning process.

19. "Reginned Cotton"

"Reginned" means cotton that has passed through the ginning process more than once, and/or cotton that, after having been ginned, has been subjected to a cleaning process and then baled.

20. "Repacked Cotton"

Cotton that is composed of factors', brokers', or other samples, or of loose or miscellaneous lots collected and rebaled.

21. "Conditioned" or "Reconditioned"

"Conditioned" or "reconditioned" means cotton in

bales that have been opened for drying and/or from which damaged cotton has been removed, without the addition of any other cotton.

23. "Pickings"

"Pickings" means any cotton removed in the process of conditioning, from any bale which has been damaged in whole or in part by fire and/or water, or in any other manner, whether reginned or not.

23. "False-packed Cotton"

Bales packed with substances foreign to cotton, such as stones, iron, etc., with evident intent to defraud; bales containing damaged cotton in the interior without any indication of such damage upon the exterior of the bale; and bales containing in their interior cotton of a quality decidedly inferior to the cotton upon their exterior and packed in such manner as not to be detected without opening the bales or drawing head samples.

24. "Water-packed Cotton"

Water-packed cotton shall mean cotton in a bale that has been watered either intentionally or otherwise during the baling process, with damage to the fiber.

25. "Mixed-packed Cotton"

Cotton in a bale which in the samples drawn therefrom  
(1) shows a difference of two grades or more, if of the same  
color; or (2) if of the same grade but of different colors,  
is blue stained and either white, spotted, yellow tinged,  
light stained or yellow stained, or which, if none is blue  
stained, shows a difference of two or more color gradations;  
or (3) if the samples are of different grade in one color  
and the next higher or lower grade in the next higher or  
lower color; or (4) shows a difference in length of staple  
exceeding  $1/16$  of an inch.

26. "Plated Bale"

Any bale of cotton which has upon one or both sides  
a layer of cotton of a quality distinctly different from  
that of the remainder of the bale.

27. "Gin-cut Cotton"

Cotton that shows damage in ginning, through cutting  
by the saws, to an extent that reduces its value two grades  
or more.

28. "Oily or Oil Stained Cotton"

Cotton damaged by oil or oils of any kind.

29. "Sandy Cotton"

Cotton having an appreciable content of sand.

30. "Dusty Cotton"

Cotton containing an obviously excessive amount of dust.

31. "Seedy Cotton"

Ginned cotton having an appreciable content of seed.

32. "Burry Cotton"

Cotton containing spiny seed pods of plants other than cotton.

33. "Smoky Cotton"

Cotton carrying a pronounced odor of smoke.

34. "Cotton of Perished Staple"

Cotton that has had the strength of fiber, as ordinarily found in cotton, destroyed or unduly reduced through exposure to the weather either before picking or after baling, or through heating by fire, or on account of water-packing, or by other causes.

35. "Cotton of Immature Staple"

Cotton that has been picked and baled before the fiber has reached a normal state of maturity, resulting in weakened fiber of inferior value.

36. "Country Damage"

Cotton, the fiber of which has become discolored or perished as the result of exposure to the elements.

37. "Fire Damage"

"Fire damage" shall be cotton that has been damaged by fire.

38. "Concealed Damage"

"Concealed damage" shall be understood to refer to the damaged part of a bale which through exposure to the weather or by other means, while apparently dry and sound on the exterior has been damaged by water in its interior.

39. "Official Cotton Standards"

Official cotton standards of the United States for grade and color for American upland cotton and for American-Egyptian cotton, and for length of staple, adopted by or established pursuant to the United States Cotton Standards Act.

40. "Universal Standards"

The official cotton standards of the United States for grade and color for American upland cotton, except standards for cotton of extra white color.

41. "Equal in all respects"

Every factor of quality equal to or better than the factor as represented in a standard or type but not more than one grade better or 1/16 inch longer in staple.

42. "Private Type"

"Private type" means any sample or samples (except samples individually couponed to represent individual bales) designated by a mark, name or number; or any mark, name, or number established by a previous sale or shipment, used to illustrate and/or describe any factor or factors of cotton quality. It is essential to any private type that it be the type of a single individual or firm and that it be used only in purchases and sales by such person or firm and the opposite parties thereto.

43. "Type Sample"

"Type sample" means a type taken from and used to illustrate and/or describe the quality of a single lot of cotton and no other.

B -- OTHER TERMS

1. "Delivery"

The tender of cotton by the seller at a compress, warehouse, yard or other designated point where accepted by the buyer.

2. "Shipment"

Shipment shall mean that the cotton be placed under bill of lading or its acceptable equivalent.

3. "Prompt Delivery or Shipment"

Delivery or shipment within 14 business days from date of contract.

4. "Immediate Delivery or Shipment"

Delivery or shipment within 7 business days from date of contract.

5. "Forward Delivery or Shipment"

Delivery or shipment more than 14 business days from date of contract.

6. "Shipment or Delivery by a Certain Date"

Shipment or delivery on or before the date stated, at seller's option.

7. "Compress Point"

Any place where an active compress is located.

8. "Shipper"

Any person engaged in the business of selling cotton to persons at distant points and putting the cotton into the hands of transportation agencies for delivery.

9. "Classification"

The quality of cotton as determined in accordance with the United States official standards.

10. "Broker"

A person who executes purchases or sales solely as an agent, without having possession of the cotton and who derives his compensation solely from the commission or brokerage paid by his principal.

11. "Lot of Cotton"

A "lot" of cotton, for the purpose of these rules, shall mean one or more bales as involved in a separate transaction and/or invoice.

12. "Factor"

Any person who receives cotton on consignment from its owner, to whom he may or may not make advances of funds, and who holds, stores and/or sells the cotton according to instructions from the owner, accounting to the owner for all proceeds of sale and expenses incurred and deducting from the proceeds of sale agreed compensation for his services and necessary services performed by others.

13. "After Arrival"

The day on which the last bale of a lot has been received.

14. "Compress Weights"

The weights determined by a compress after all damage and/or foreign matter, if any, has been removed.

15. "On Call Transactions"

Purchases and/or sales of spot cotton based on futures and the price of which is to be called and/or fixed by either buyer and/or seller, according to the terms of the contract, not later than an understood or specified date.

16. "Square Bale"

Any bale of cotton rectangular in form.

17. "Uncompressed"

Any "square" bale having a density of less than 22 pounds per cubic foot.

18. "Standard Density"

Any "square" bale having a density of 22 to 31 pounds per cubic foot.

19. "High Density"

Any "square" bale having a density of 32 pounds or more per cubic foot.

20. "Designated Spot Market"

A market designated by the Secretary of Agriculture for the purpose of determining, as provided in Section 6 of the United States Cotton Futures Act, the differences above or below the contract price which a receiver shall pay for qualities other than the basis quality tendered or delivered in settlement of a cotton futures contract.